United Nations

Financial report and audited financial statements

for the year ended 31 December 2019

and

Report of the Board of Auditors

Volume I
United Nations

General Assembly
Official Records
Seventy-fifth Session
Supplement No. 5

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Note

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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Letters of transmittal

Letter dated 27 March 2020 from the Secretary-General addressed to the Chair of the Board of Auditors

In accordance with regulation 6.2 of the Financial Regulations and Rules of the United Nations, I have the honour to submit herewith the financial statements of the United Nations, volume I, for the year ended 31 December 2019, which I hereby approve. The financial statements have been completed and certified by the Controller as correct in all material respects.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

(*Signed*) António **Guterres**

Letter dated 21 July 2020 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations as reported in volume I for the year ended 31 December 2019.

(*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors
Chair of the Board of Auditors

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

Opinion

We have audited the financial statements of the operations of the United Nations as reported in volume I, which comprise the statement of financial position (statement I) as at 31 December 2019 and the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flows (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the operations of the United Nations as reported in volume I as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing. Our responsibilities under those standards are described in the section below entitled "Auditor's responsibilities for the audit of the financial statements". We are independent of the United Nations, in accordance with the ethical requirements relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and auditor's report thereon

The Secretary-General is responsible for the other information, which comprises the financial report for the year ended 31 December 2019, contained in chapter IV below, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, on the basis of the work that we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

The Secretary-General is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as the Secretary-General determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary-General is responsible for assessing the ability of the operations of the United Nations as reported in volume I to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going-concern basis of accounting, unless the Secretary-General intends either to liquidate the operations of the United Nations as reported in volume I or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the operations of the United Nations as reported in volume I.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or the overriding of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the operations of the United Nations as reported in volume I.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Secretary-General.

- Draw conclusions as to the appropriateness of the Secretary-General's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of the operations of the United Nations as reported in volume I to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the operations of the United Nations as reported in volume I to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of the operations of the United Nations as reported in volume I that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of the operations of the United Nations as reported in volume I.

(*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors
Chair of the Board of Auditors

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor General of India
(Lead Auditor)

(*Signed*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile

21 July 2020

Chapter II
Long-form report of the Board of Auditors

Summary

The Board of Auditors has audited the financial statements and reviewed the operations of the United Nations as reported in volume I for the year ended 31 December 2019. The audit included an examination of financial transactions and operations at United Nations Headquarters in New York, the offices at Geneva, Vienna and Nairobi and other entities, including a regional commission, country offices and special political missions. The Board has also reported separately on the implementation of the information and communications technology strategy and Umoja.

Opinion

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of the United Nations as reported in volume I as at 31 December 2019 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Overall conclusion

The overall financial position of the Organization as at 31 December 2019 remains sound. The regular budget was fully consumed in 2019. The Administration needs to continue to strengthen core business processes in finance, budget, procurement and humanitarian affairs. The Board also identified different areas of improvement in the implementation of the Secretary-General's reforms in the three pillars of management, development, and peace and security.

Key findings

Financial performance

An overall surplus of $250.2 million was reported for the year 2019 (2018: surplus of $523.11 million), with a total revenue of $6,896.56 million (2018: $6,790.43 million) and expenses of $6,646.40 million (2018: $6,267.32 million). For the regular budget, actual expenditure incurred of $3,061.30 million matched the final annual budget of $3,061.30 million for 2019, indicating no underexpenditure or overexpenditure.

The net assets decreased by $785.70 million, from $3,213.90 million as at 31 December 2018 to $2,428.20 million as at 31 December 2019. This decrease was mainly on account of actuarial losses on employee benefits liabilities ($1,026.6 million), offset by the surplus for the year ($250.2 million).

The overall financial ratios of the United Nations as reported in volume I are sound. However, nearly 64.80 per cent of the $4,162.87 million in cash and investment balances are restricted because they relate to balances of trust funds and self-insurance funds and are therefore not available for the discharge of regular budget liabilities. The borrowings from the Working Capital Fund in 2019 could not be repaid owing to insufficient liquid funds available within the budget. Further, borrowings valuing $202.8 million from the Special Account were not repaid at the end of the year.

Working capital and liquidity management

The Board noticed from information provided by the Administration that outstanding contributions of $711.8 million at the end of 2019 were the highest in the past five years. Further, the current year outstanding at the end of the year as a

proportion of current year payable and the total outstanding at the end of the year as a proportion of total payable were also the highest in 2019.

Balances in the regular budget assessed fund group, comprising the regular budget fund, the Working Capital Fund and the Special Account, were low at year end and have been steadily declining over the last four years. When the balances of the Tax Equalization Fund (64 TEA) and the United Nations Development Account (64 ROA) are considered, the liquidity position at year end is considerably altered. When the balances of common support funds are also considered, the cash balance position at year end improves further. The Board is of the view that there is a need to review the balances of funds that are presently being used and that can be considered for use in managing liquidity concerns.

Cost recovery and programme support costs

There was an increase in the balance of the cost-recovery fund (10 RCR) in the cash pool from $152.9 million (2016) to $252.4 million (2019). There was a wide variation in rates for similar activity types in the catalogue rates of December 2019 among entities. There were also wide variations in amounts across the years and between the consumable budget and the consumed budget in respect of some cost centres. The Board also noticed considerable variation in the number of staff included in the cost plans. The basis for identifying staff for whom costs are to be included in the cost plans and hence to be recovered as part of the cost recovery was not clear. There was no consistency in the identification of cost elements for the preparation of cost plans among entities in the Secretariat.

With regard to programme support costs, the cost plans also did not have a standard template or a granularity of details. There was a lack of common understanding and clarity among entities regarding the basis to be used for the calculation of staff costs to be included in the cost plans. No details were provided to the Board on agreements whereby the rates to be charged on voluntary contributions for programme support costs were lower than the prescribed rate during 2018 and 2019.

Budget preparation and management

Financial transactions are recorded in Umoja, which records expenditure by nature of expense. The budget is aligned by expenditure in different categories. Incomplete alignment of budgeting codes and financial reporting categories results in the need to reallocate budgets for comparative purposes. Consequently, a direct comparison between approved appropriations and expenditure incurred is not possible.

Umoja Extension 2 budget formulation solution was, in general, used for post and non-post resource requirements for the programmes and subprogrammes. However, the budget was first prepared using Excel and Word and then figures were entered into the budget formulation solution. Further, the system was found to be slow and some system issues for inputting data were flagged by some users.

Budget expenditure cannot be directly tracked against achievement of outcomes or deliverables. There is a need for a time-bound plan to implement and utilize the planned solutions to enable the linking and monitoring of expenditure with outcomes.

Valuation of defined end-of-service liabilities

At the end of service, staff members and their dependants may elect to participate in a defined-benefit health insurance plan, provided they have met certain eligibility requirements, including a period of service in the United Nations system. The Administration used the date of joining as reflected in United Nations Joint Staff Pension Fund data for active staff as it was considered more precise. However, the

Board noticed errors in a large proportion of those entry dates. The Board holds that using Pension Fund data for actuarial valuation is not a long-term solution without proper verification of the dates.

Implementation of management reforms

The administrative issuance on the organizational structure of the Secretariat of the United Nations, following the implementation of the management reforms, was not yet promulgated. The management reform proposals in the report of the Secretary-General contained a high-level division of work between the Department of Management Strategy, Policy and Compliance and the Department of Operational Support, and a clear, codified division of roles and responsibilities at the micro and process levels was required, especially as there were areas where there was a lack of clarity and/or possible overlap in the functioning of the two departments. A procedure for ensuring the timely intake of issues by the Management Client Board had not been developed, documented or circulated to Board members by the Board secretariat and the dates of the Board meetings were not circulated well in advance.

As part of the management reform, a new framework for delegation of authority was outlined in Secretary-General's bulletin ST/SGB/2019/2. The framework did not qualify the entities that fell under the framework. Moreover, the delegation instruments did not specify the resources for which authority was delegated. There were a large number of entities that were assigned to receive support from service providers for want of capacity. There was a need to assess the capacity of the service providers in view of a possible increase in workload following the enhanced delegation of authority.

The delegation of authority portal was to be used for recording formal delegations and subdelegations. Subdelegations pending acceptances remained in the system for a long time and a lack of validation checks for entering approval amounts and recording of long validity periods for delegations in the portal was noticed. An initial set of 16 key performance indicators was brought out as part of the accountability framework for monitoring the exercise of delegated decision-making authority, which needed to be reviewed and expanded. Baseline and target definition for indicators needed improvement to enhance the utility of the monitoring framework.

Strengthening the implementation of results-based management was identified as an important element of the accountability framework. There were several results-based management manuals, and guidance and instructions on areas related to results-based management-within the Secretariat. In addition, a comprehensive manual on results-based management was under preparation. Strengthening the self-evaluation capacity to better inform programme planning and reporting on programme performance was identified as an important step to address the gap in implementation of the accountability framework, but there were delays in the finalization of the evaluation policy. The Secretariat-wide risk register, which was to be completed by the fourth quarter of 2019 and on which further steps such as the preparation of action plans for the mitigation of risks identified would depend, was yet to be approved.

Implementation of development reforms

A reinvigorated resident coordinator system, led by a strengthened resident coordinator, is at the centre of the repositioned United Nations development system. It was estimated that the financial cost of the reinvigorated resident coordinator system would be $281 million every year. The short achievement of $57 million was noticed in 2019, with a significant shortfall in comparison with the estimation for the coordination levy. By December 2019, 82 per cent of resident coordinator posts had been filled and the recruitment process was at different stages for the remaining 18 per cent of posts. Vacancies for other posts in the Development Coordination Office, regional desks and the resident coordinator offices were 16, 33 and 23 per cent, respectively.

The management and accountability framework is a foundational piece in the reinvigoration of the resident coordinator system. The country chapter of the framework was finalized in April 2019 and the regional and global frameworks were yet to be developed. No assessment of the performance of resident coordinators was carried out in 2019.

The United Nations Sustainable Development Cooperation Framework is an important instrument for planning and implementation of United Nations development activities at the country level. Common country analysis is used for developing the Cooperation Framework. The common country analysis of 45 countries had commenced and had been completed for 34 countries.

The principle of mutual recognition of policies and procedures was recognized as a prerequisite for common business operations. The mutual recognition statement was ready in November 2018 and 19 entities had signed it. An implementation framework for the mutual recognition principle might be required to enable and guide its consistent application. Principles for measuring client satisfaction with regard to all back-office services and a costing and pricing principle had been endorsed by only two agencies. The business operations strategy 2.0 guidance was launched in October 2019 but the platform could be launched only in the first quarter of 2020. Seventy-nine United Nations country teams were in the process of developing or transitioning their business operations strategy.

Common back offices are country-level service centres consisting of teams of dedicated staff that are responsible for the implementation of some or all of the common services reflected in the business operations strategy. Common back office methodology was still under design and the likely date of handing over was June 2020. Regarding the target of common premises, the development of a new inter-agency premise database was still under way. Pilots had been completed in four of the six identified countries by April 2020 and the remaining two were being finalized. The outcome of the pilot was a consolidation plan approved by the United Nations country team, but the consolidation plan had not been completed in any country. Clarification of the roles and division of labour of the Business Innovations Group project team and the United Nations Sustainable Development Group Task Team on Common Premises and Facility Services was required.

Implementation of peace and security reforms

The capacity of the Peacebuilding Support Office was enhanced, with four posts and resources from the capacities freed up by the merger of the regional divisions and the creation of a single executive office for the two new departments (the Department of Political and Peacebuilding Affairs and the Department of Peace Operations). However, even with that augmentation in its resources, there was no change in the specific output expectations of that Office.

The strategic plan for the Peacebuilding Fund for the period 2017–2019 projected an outlay of $500 million for over 40 countries during the period. Actual funds obtained were $355.8 million, in addition to the $116 million carried over from the previous cycle. The Fund had to reduce its initial programming target in 2019 by nearly $60 million by postponing some investments and scaling down others.

Procurement management

The instructions for submitting proposals state that, by submitting a proposal, the proposer confirms having read, understood, agreed to and accepted the United Nations General Conditions of Contract and the draft form of the contract. Changes to the General Conditions of Contract and/or the draft contract may be considered at the sole discretion of the United Nations during the evaluation of proposals. The Board found that the Procurement Division did not take into account changes proposed during the evaluation of proposals. The Board holds that such changes should be reflected in the scoring. If the evaluation does not take into account such deviations, bidders who do not accept the stipulations receive preferential treatment compared with bidders who accept the stipulations.

Humanitarian affairs

The secretariat of the Central Emergency Response Fund granted no-cost extensions to 29 projects, requests for which had been made after the original project completion date.

There were delays of up to 24 days in the submission of interim financial reports for 46 of 185 Central Emergency Response Fund projects pertaining to five United Nations agencies. The submission of interim financial reports for 14 of 125 rapid response projects was also delayed.

The Umoja Extension 2 grantor-country-based pooled funds grant management system bridge had been tested and was finalized by February 2020. The bridge would feed the information into the grantor module of Umoja with the required agreement data. The process would avoid any manual entry of data. The Office for the Coordination of Humanitarian Affairs and Umoja teams were working closely to finalize the roll-out plan for that phase of the data bridge. The data bridge was intended to benefit both country-based pooled funds and the Central Emergency Response Fund, although the actual degree of usage would vary. The Umoja fundraising module was described as not ready and not covering the essential requirements of the Office.

Recommendations

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

Working capital and liquidity management

1. **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;**

Cost recovery and programme support costs

2. **Carry out a thorough review of cost recovery in the cost-recovery fund (10 RCR) to ensure its reasonableness;**

3. **Complete the harmonization exercise in a time-bound manner and review the existing methodology and instructions on cost recovery, including on the engagement of staff out of cost-recovery revenue, to ensure that there is a consistent basis for the identification of costs for the purpose of calculating catalogue rates and also for inclusion in the cost plans;**

4. **Review the programme support cost framework and related instructions, in consultation with entities, to ensure the transparent and timely availability of information on income and costs and harmonized practices across entities for the preparation of cost plans;**

Budget preparation and management

5. **Complete the exercise of aligning Umoja objects of expenditure with budget objects of expenditure within a reasonable time frame;**

6. **Continue to identify opportunities within Umoja to develop tools and applications to support better budgeting and review practices and strengthen existing tools to better track budget utilization against outcomes;**

Valuation of defined end-of-service liabilities

7. **Ensure the correctness of the entry-on-duty date parameters to ensure the reliability of the census data and consequent valuations;**

Implementation of management reforms

8. **Take expeditious action to amend and promulgate the Secretary-General's bulletins to specify and enhance the clarity of the roles and responsibilities of the Department of Management Strategy, Policy and Compliance and the Department of Operational Support;**

9. **Develop and document formal procedures for the timely intake of issues by the Management Client Board and strengthen mechanisms and channels so that the members of the Board receive input from their constituents, to make the Board an effective feedback and consultation mechanism;**

10. **Define criteria for what constitutes an entity and clarify which entities are included in the delegation of authority framework as contained in Secretary-General's bulletin ST/SGB/2019/2;**

11. **Explore how to specify and document the resources for which authority is delegated and subdelegated;**

12. **Undertake a comprehensive exercise to identify the enhancements for the delegation of authority portal to incorporate more checks to make it more robust, transparent, user-friendly and useful for monitoring;**

13. **Complete the review key performance indicators by the target date to enhance the existing suite of key performance indicators;**

14. **Expedite the implementation of the workplan priorities for evaluation, including the finalization of the evaluation policy, the development of the self-evaluation toolkit and other related capacity-building measures to avoid further delays in the achievement of deliverables for evaluation that are dependent on these measures;**

15. **Ensure adherence to the timelines for the activities prescribed in the action plan for the implementation of results-based management;**

16. **Take steps to prioritize the preparation of an updated risk register and risk response and treatment plans in all the entities in the Secretariat and follow a time-bound plan for embedding the three lines of defence model at all levels;**

Implementation of development reforms

17. **Take steps to address the funding gap issues with the agencies not participating in cost-sharing and encourage them to be part of the United Nations development system;**

18. **Make efforts to finalize accountability frameworks at the regional and global levels at the earliest to effectively identify relevant United Nations development system members and their roles, responsibilities and interrelationships and provide a comprehensive accountability framework;**

19. **Continue to engage with the United Nations country teams to ensure the timely formulation of new common country analyses and the updating of existing common country analyses;**

20. **Proactively support the High-level Committee on Management in bringing all United Nations Sustainable Development Group members on board with regard to the mutual recognition principle and augmenting the capacity for tracking the progress of the implementation of the mutual recognition principle;**

21. **Take steps to bring clarity to, and define the ownership and responsibility for taking further action to promote the adoption of, the client satisfaction and costing and pricing principles;**

22. **Engage with United Nations country teams for the implementation of the business operations strategy 2.0 and explore the development of realistic transition and implementation timelines;**

23. **Set specific timelines with interim targets and milestones for the roll-out of common back offices and that it monitor adherence thereto;**

Implementation of peace and security reforms

24. **Develop relevant criteria for assessing enhanced output as a result of the deployment of additional resources in the Peacebuilding Support Office, in the context of the aspirations contained in General Assembly resolution 70/262 and Security Council resolution 2282 (2016) for its revitalization;**

25. **Continue efforts to augment the financial resources of the Peacebuilding Fund;**

Procurement management

26. **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 considers such modifications;**

Humanitarian affairs

27. **Engage with implementing agencies to minimize requests for extension, carefully review such requests and grant extensions only in genuinely exceptional circumstances;**

28. **Pursue the timely completion of financial reports and the refund of unspent funds;**

29. **Expedite the roll-out of the Umoja Extension 2 grantor-country-based pooled funds grant management system bridge and explore its utility and customization for the Central Emergency Response Fund to reduce manual interventions in the recording of financial transactions and the preparation of trial balances.**

Follow-up on previous recommendations

As at 31 December 2019, of the 224 outstanding recommendations up to the year ended 31 December 2018, 49 (22 per cent) had been fully implemented, 153 (68 per cent) were under implementation, 13 (6 per cent) had not been implemented and 9 (4 per cent) had been overtaken by events. The Board acknowledged that the Administration had progressed towards the implementation of the majority of pending recommendations and noted that, in a significant number of cases, the required action for pending recommendations was part of the implementation of Umoja Extension 2 and the improvements planned in the budgeting exercise for next year.

Key facts

$6.897 billion	Total revenue
$6.646 billion	Total expenses
$0.250 billion	Surplus for the year
$9.715 billion	Assets
$7.287 billion	Liabilities
$2.428 billion	Total net assets
$2.705 billion	Employee salaries, allowances and benefits

A. Background

1. The United Nations, founded in 1945, provides the main forum for its 193 Member States to meet and take collective measures through its principal organs: the General Assembly, the Security Council, the Economic and Social Council, the Trusteeship Council, the International Court of Justice and the Secretariat. Under the Charter of the United Nations, the Organization can take action on a wide range of vital and complex issues. The Organization comprises a Headquarters in New York made up of multiple departments and offices, as well as entities (many with their own governance structures and systems) and offices away from Headquarters and projects across the globe.

2. The financial statements for the operations of the United Nations as reported in volume I encompass the full range of activities, entities and programmes falling under the auspices of the Secretariat and include all funds other than those of the peacekeeping operations, the United Nations Compensation Commission, the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991, the International Residual Mechanism for Criminal Tribunals, the United Nations Human Settlements Programme (UN-Habitat) and the United Nations Environment Programme, among others, which are reported separately.

3. The 2019 financial statements were prepared under IPSAS and comprise five separate primary statements supported by explanatory notes.

B. Mandate, scope and methodology

4. The Board of Auditors has audited the financial statements of the United Nations as reported in volume I for the financial year ended 31 December 2019 in accordance with General Assembly resolution 74 (I). The audit was conducted in conformity with the Financial Regulations and Rules of the United Nations and the International Standards on Auditing. The latter require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

5. The Board conducted the audit at various offices and divisions at United Nations Headquarters in New York and the offices at Geneva, Vienna and Nairobi, in addition to the office in the Sudan, special political missions in Columbia and Iraq and the Economic Commission for Africa, in Addis Ababa. From March to May 2020, the final audit of the financial statements and parts of various other audits were carried out remotely from India owing to the outbreak of the coronavirus disease (COVID-19) pandemic. The Board coordinated its work with the Office of Internal Oversight

Services (OIOS) to avoid unnecessary overlap of effort and to determine the extent of reliance that could be placed on its work. The Board's report was discussed with the Administration, whose views have been appropriately reflected. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly.

Scope

6. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of the United Nations as at 31 December 2019 and the results of its operations and cash flows for the financial period, in accordance with IPSAS. This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether revenue and expenses had been properly classified and recorded in accordance with the Financial Regulations and Rules. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to support its audit opinion.

7. The Board also reviewed the operations of the United Nations under regulation 7.5 of the Financial Regulations and Rules, focusing on areas of fundamental importance to the capability, effective management and reputation of the United Nations, in particular finance and budget, implementation of management reforms, development reforms and peace and security reforms, procurement management, and humanitarian affairs.

C. Findings and recommendations

Follow-up on previous recommendations

8. As at 31 December 2019, of the 224 outstanding recommendations up to the year ended 31 December 2018, 49 (22 per cent) had been fully implemented, 153 (68 per cent) were under implementation, 13 (6 per cent) had not been implemented and 9 (4 per cent) had been overtaken by events (see annex I).

9. Furthermore, as at 31 December 2019, of the 15 outstanding recommendations up to the year ended 31 December 2017, 13 (87 per cent) had been fully implemented and 2 (13 per cent) were under implementation for the capital master plan (see annex II).

10. Table II.1 sets out the status of implementation of recommendations for the financial statements as reported in volume I, by report. It can be seen from the table that the earliest pending recommendation pertains to the report for the biennium ended 31 December 2009 (A/65/5 (Vol. I), chap. II).

Table II.1
Status of implementation of recommendations

Report	*Number of recommendations*	*Recommendations pending as at 31 December 2018*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Recommendations pending as at 31 December 2019*
A/65/5 (Vol. I), chap. II	72	1		1			1
A/67/5 (Vol. I), A/67/5 (Vol. I)/Corr.1 and A/67/5 (Vol. I)/Corr.2, chap. II	40	1		1			1
A/69/5 (Vol. I) and A/67/5 (Vol. I)/Corr.1, chap. II	28	15	3	10	1	1	11
A/70/5 (Vol. I) and A/70/5 (Vol. I)/Corr.1, chap. II	26	16	2	12		2	12
A/71/5 (Vol. I)	44	26	5	19	1	1	20
A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr.1, chap. II[a]	53	32	13	15	3	1	18
A/73/5 (Vol. I)	71	62	14	41	4	3	45
A/74/5 (Vol. I)[a]	71	71	12	54	4	1	58
Total	**405**	**224**	**49**	**153**	**13**	**9**	**166**

[a] Excludes the recommendations made in the section on the strategic heritage plan of the report of the Board of Auditors for the year ended 31 December 2016 (A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr.1, chap. II, and A/74/5 (Vol. I)), which were presented in the reports of the Board of Auditors on the strategic heritage plan (A/73/157 and A/75/135, respectively).

11. The Board noted the need to further improve the rate of implementation, especially in respect of recommendations that had been pending for more than two years. The Board acknowledged that the Administration had progressed towards implementation of the majority of pending recommendations and noted that, in a significant number of cases, the required action for pending recommendations was part of the implementation of Umoja Extension 2 and the improvements planned in the budgeting exercise for the following year. Furthermore, preliminary actions had been initiated for a number of cases, but further work was required to actually implement the recommendations. Annex I to the present report provides a more detailed summary of the action taken in response to the Board's previous recommendations.

D. Finance and budget

Financial overview

12. An overall surplus of $250.2 million was reported for the year 2019 (2018: surplus of $523.11 million), with a total revenue of $6,896.56 million (2018: $6,790.43 million) and expenses of $6,646.40 million (2018: $6,267.32 million). For the regular budget, actual expenditure incurred ($3,061.30 million) matched the final annual budget of $3,061.30 million for 2019, indicating no underexpenditure or overexpenditure.

13. Overall, net assets decreased by $785.70 million, from $3,213.90 million as at 31 December 2018 to $2,428.20 million as at 31 December 2019. This decrease was mainly on account of actuarial losses on employee benefits liabilities ($1,026.6 million), offset by the surplus for the year ($250.2 million).

14. The financial report prepared by the Secretariat and presented in chapter IV provides a comprehensive overview of the financial position of the United Nations. Overall, the financial health of the United Nations remains sound, as it has sufficient

assets to cover its liabilities. However, the employee benefit liability is likely to consume an increasing portion of the regular budget over time should it remain unfunded.

15. Volume I financial statements were prepared for the period ended 31 December 2019. The World Health Organization declared COVID-19 a pandemic on 11 March 2020 and the financial statements were certified by the Controller on 25 March 2020. The Board noted that the outbreak of COVID-19 qualified as a significant event after the reporting date, but no disclosure of any impact or lack thereof was included in the notes to the financial statements. The Administration stated that it had not received any requests from donors to amend or void the pledges they had made in previous years and that the voluntary contributions had not been affected by COVID-19. As at 31 December 2019, the main pool had a large portion of the portfolio in cash equivalents and short-term investments and, by 31 March 2020, a large portion had already matured, with the principal and interest fully received. The Administration stated that it had estimated the effects of COVID-19 on the financial statements in all respects and found them to be immaterial, if not negligible.

16. The Board has examined a range of key financial ratios (see table II.2), the details of which are given in the paragraphs below.

Table II.2
Financial ratios

Description of ratio	*31 December 2019*	*31 December 2018*	*31 December 2017*
Current ratio[a]			
Current assets: current liabilities	4.11	4.24	3.88
Total assets: total liabilities[b]			
Assets: liabilities	1.33	1.54	1.35
Cash ratio[c]			
Cash plus short-term investments: current liabilities	2.73	2.84	2.42
Quick ratio[d]			
Cash plus short-term investments plus accounts receivable: current liabilities	3.78	3.85	3.51

Source: Analysis by the Board of the United Nations financial statements (volume I) for 2017, 2018 and 2019.

[a] A high ratio indicates an entity's ability to pay off its short-term liabilities.

[b] A high ratio is a good indicator of solvency.

[c] The cash ratio is an indicator of an entity's liquidity by measuring the amount of cash, cash equivalents and invested funds there are in current assets to cover current liabilities.

[d] 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.

17. The Board noted that the overall financial ratios of the operations of the United Nations as reported in volume I are sound. However, nearly 64.80 per cent of the $4.162.87 million in cash and investment balances are restricted because they relate to balances of trust funds and self-insurance funds. The borrowings from the Working Capital Fund in 2019 could not be repaid owing to the insufficient liquid funds available within the budget. Further, borrowings valuing $202.8 million from the Special Account were not repaid at the end of the year. The analysis of financial ratios presented above is to be read along with the detailed findings of the Board on the working capital and liquidity management, contained in the following section of the present report.

Working capital and liquidity management

18. It is stated in the notes to the 2019 financial statements that the periodic cash shortage in the regular budget persisted in 2019 and the regular budget fund had to borrow from the Working Capital Fund and the Special Account during the year. It is also stated that, while the liquidity problem is driven by the delay in the payment of assessed contributions by the Member States, the ability to respond adequately to liquidity challenges is hampered by restrictions in the regulatory framework.

19. The Board noticed the following trend in outstanding contributions from the information provided by the Administration:

Table II.3
Trend in outstanding contributions
(Billions of United States dollars)

	Contributions payable		*Contributions outstanding*			
Position at the end of the year	*Current year payables*	*Total payables*	*Current year outstanding*	*Total outstanding*	*Percentage of current outstanding to current year payable*	*Percentage of total outstanding to total payable*
2015	2.77	3.31	0.45	0.53	16.41	16.12
2016	2.55	3.08	0.37	0.41	14.62	13.30
2017	2.58	2.99	0.50	0.53	19.53	17.78
2018	2.49	3.02	0.51	0.53	20.64	17.54
2019	2.85	3.38	0.70	0.71	24.54	21.07

20. The Board noted that the outstanding contributions at the end of 2019 were the highest, at $711.8 million. The current year outstanding at the end of the year as a percentage of current year payable and the total outstanding at the end of the year as a percentage of total payable were also highest in 2019.

21. The Administration informed the Board of the various initiatives taken to manage the liquidity situation. They included the introduction of austerity measures and the development of forecasting tools to manage liquidity involving trend analysis relating to contributions and outflows based on expenditure patterns and supply chain activities and to track cash movements and recruitment and staff costs.

22. The Board noticed areas for further improvement in working capital and liquidity management. These are detailed below.

Fund balances for liquidity management in regular budget operations

23. The Board was informed that the Financial Regulations and Rules of the United Nations did not prohibit the use of cash across activities. However, as a matter of practice, the Secretariat did not usually borrow between active peacekeeping and regular budget operations, although it was not explicitly prohibited. The Board was also informed that trust funds were not used for managing the liquidity of the regular budget or peacekeeping operations. The Board inferred from that information provided by the Administration that funds reported in volume I other than funds for active peacekeeping missions and trust funds could be used for the management of liquidity. The Board was also informed that, although the Administration had not undertaken an exercise to consider other funds as yet, the Tax Equalization Fund (64 TEA) and the United Nations Development Account (64 ROA) funds were used to manage liquidity.

24. The Board noted that the balances in the “regular budget assessed” fund group, comprising the regular budget fund (10 UNA), the Working Capital Fund (10 WCA) and the Special Account (10 STA), were low at year end (2019) and had been steadily

declining over the previous four years. The Board added the balances of the Tax Equalization Fund (64 TEA) and the United Nations Development Account (64 ROA) to the "regular budget assessed" fund group to assess the combined liquidity of those funds and noticed that the balance position was considerably altered with consideration of those two funds, as shown below.

Table II.4
Analysis of cash balances
(Millions of United States dollars)

Balance as of 31 December	*Regular budget assessed fund group (10 RBA)(regular budget fund (10 UNA) + Special Account (10 STA) + Working Capital Fund (10 WCA))*	*Regular budget assessed fund group (10 RBA) + Tax Equalization Fund (64 TEA) + United Nations Development Account (64 ROA)*
2015	85.5	232.2
2016	223.5	362.4
2017	73.1	206.8
2018	29.9	197.5
2019	23.3	247.2

25. The Board noted that various funds were categorized as common support funds, which were a part of neither peacekeeping funds nor trust funds. The Board enquired as to the rationale for the categorization of those common support funds outside of regular budget funds, but it was not clarified by the Administration. When the balances of common support funds (common support funds pertaining to 10, 62 and 64 types) and the programme support cost funds are also considered, the cash balance position at year end improves further.

26. The Administration stated that, in general, the more funds are considered as a liquidity solution, the more complicated the monitoring process becomes, as each fund's operations and cash requirements need to be considered. It also stated that 62-type funds were funded through trust funds to cover indirect programme support costs of trust fund operations and, as such, those funds could not be used to supplement the regular budget activities without donors' consent. It was also explained that the cost recovery (10 RCR) fund was a worldwide fund, shared by worldwide entities, making it very difficult to have visibility of ongoing activities, and that the timing of cash inflows and outflows was closely linked.

27. The Board noted the response. The Board does not suggest that all these funds be used for managing liquidity, but presents the various fund options available to the Administration for liquidity management. For instance, if the balances of the United Nations Development Account (64 ROA) and the Tax Equalization Fund (64 TEA) are considered (funds already identified by Administration for managing liquidity), the additional balance of $223.9 million would have been available as at the end of 31 December 2019. Moreover, the Administration's view that the cost-recovery fund (10 RCR) is a worldwide fund, making it difficult to have visibility of ongoing activities, is to be seen against the fact that the regular budget fund (10 UNA) is also a worldwide fund. Moreover, the steadily increasing balances of the cost-recovery fund over the last three years does not support the Administration's contention that the timing of cash inflows and outflows is closely linked. The assertion that 62-type funds cannot be used to supplement the regular budget activities without donors' consent is to be seen against the fact that only the programme support cost rate requires donors' consent and, once the recovery is made, the fund is at the disposal of the Administration as it pertains to recovery of administrative and technical costs incurred.

28. **The Board recommends 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.**

29. The Administration accepted the recommendation. The Administration also stated that that it is the obligation of Member States to fund the regular budget, not the obligation of the Administration to seek alternative funding streams. Further, supplementing the regular budget from other funding sources merely exacerbates the problem in other areas of operations. In addition, owing to the unpredictability of Member States' payments to the regular budget, repayments of borrowings at regular intervals cannot be guaranteed, particularly to funds with ongoing operations and cash requirements.

30. While taking note of the comments of the Administration, the Board is of the view that there is a need to review the balances of funds that are presently being used and considered for use in managing liquidity concerns. When considering the balances of the Tax Equalization Fund (64 TEA) and the United Nations Development Account (64 ROA), used by the Administration to manage liquidity, the fund position improves considerably and could be helpful in managing liquidity.

Cash flow analysis tool

31. The Board noted that monthly cash outflows, further segregated in terms of committed outflows and other expenses data, were not available. The Board was informed that the Administration used the indirect cash flow method because direct cash flow information was not available from Umoja and that a project was under way to show regular budget cash disbursement and receipt transactions at a high level for management reporting purposes. The Board noted that the availability of data on outflows, with further enrichment in terms of the nature of expenses, would be very important for carrying out analysis to better inform the planning for different measures and their timing for the management of liquidity.

32. **The Board recommends that the Administration immediately develop a tool to generate disaggregated monthly and daily cash flow data to facilitate liquidity management.**

33. The Administration accepted the recommendation and assured the Board that it would expedite the project for cash receipt and disbursement reports.

Monitoring austerity measures for liquidity management

34. The Board noticed that different austerity measures were being taken, including restricting official travel and reducing non-post expenditure, to manage the liquidity situation. With respect to the mechanism in place to monitor compliance with the measures and to analyse their impact, the Board was informed that the austerity measures had been introduced to manage liquidity and not to achieve budgetary savings and that the Controller's office had been monitoring cash flows and that the overall goal was to slow down outflows to adapt to the inflows, which were highly unpredictable. The Administration also stated that there was no specific goal for each of the measures but that it was a general attempt to slow down whatever could be slowed down without having a major impact on mandate delivery.

35. The Board noted that the austerity measures taken were such that they could also potentially result in reduced expenditure. Moreover, analysing the impact of the measures had the potential to inform the management of liquidity going forward. The

Board also noted that the reply was silent about the mechanisms in place to monitor compliance with the austerity measures.

36. **The Board recommends that the Administration put in place mechanisms to monitor compliance and assess the impact of measures taken for the management of the liquidity situation.**

37. The Administration accepted the recommendation. It also stated that the objective of the austerity measures was not to achieve savings but to manage liquidity. It was added that, in order to control the level of spending with due consideration for cash inflows, allotments were released in a controlled manner and a special commitment type was used to regulate the level of spending. It was through those added mechanisms that the Administration was able to avoid having any major impact on programme delivery or on meeting financial obligations.

38. The Board noted the response of the Administration. The Board is of the view that the austerity measures taken could help the management of liquidity through a reduction in consumption of goods and services, resulting in less demand for funds, deferring events resulting in expenditure and deferring payment for expenditure. A mechanism to track the impact and monitor compliance would further help the Administration in planning its management of the situation going forward.

Fund balances

Differences in daily fund balances

39. The Board highlighted in its report for 2018 (A/74/5 (Vol. I)) that inter-fund transfers at year end were carried out after the close of the financial year, making it difficult to analyse and determine the exact level of cash balances at the fund level at any given date. The Board noted that the cumulative fund balances in the regular budget fund (10 UNA) differed for five days during 2019 in the datasets generated in December 2019 compared with those generated in April 2020.

40. The Administration explained that the changes for two days were the result of a rerun of the staff assessment batch for March and May 2019 and that the changes in the remaining three days were small adjustments or transactions processed resulting from belated documentation. The rerun of the staff assessment batches was needed in order to clear out the differences noted in the staff assessment expense account and the contra expense account recorded by the staff assessment batch. The Board noted that the Administration provided neither supporting papers nor reasons for having to rerun staff assessment batches.

41. **The Board recommends that the Administration strengthen controls to ensure that fund balances are not altered later and that the sanctity of the daily fund balance is maintained so that the daily fund balance can be reliably used for forecasting purposes.**

42. The Administration accepted the recommendation and explained that, sometimes, closed accounting periods were required to be reopened for various reasons, reruns of batches, belated bank statement uploading, etc., but that the reopening was tightly controlled.

43. The Board took note of the response of the Administration and is of the view that measures that result in changes in the cash balances of funds should be taken only in strictly exceptional circumstances and that a complete audit trail and documentation of those measures and their resultant changes should be maintained.

Inactive funds

44. The Board noted that there were 10 funds being operated, with a total fund balance of $8.68 million as at 31 December 2019, with no transactions or minimal transactions relating to income, gain or loss from participation in main pool or foreign exchange gains and losses. The Board was informed that many of them had been created for programme support costs or cost recovery for different entities and that, after the introduction of Umoja, the transactions of those entities had been merged with the fund for programme support cost expenditure and revenue (62 RPS) or the cost-recovery fund (10 RCR). Some funds had also been created for the implementation of the Integrated Management Information System (IMIS) and the conversion to Umoja.

45. **The Board recommends that the Administration close the various inactive funds, put in place systems to periodically review existing funds and close inactive funds.**

46. The Administration accepted the recommendation.

Cost recovery and programme support costs

Cost recovery

47. An inter-office memorandum was issued by the Deputy Controller in March 2015, providing that all cost recoveries for services other than programme support services for trust funds were to be credited to a central account. It further provided that all cost-recovery activities would be transacted through the newly established cost-recovery funds, which are distinct for each volume of the financial statements. The cost-recovery fund established for volume I was 10 RCR.

48. Further, guidance on the implementation of cost recovery for service delivery under Umoja was issued, with the objective of standardizing the approach to the cost-recovery mechanism, whereby all entities were required to submit a full list of services or activities they provided, for the creation of a United Nations consolidated services catalogue. All service providers were also required to submit their cost plans, cash flow projections and requests for allocations to the Office of the Controller for the approval of cost plans and funding for positions financed from cost-recovery funds, if any. After implementation of the new delegation of authority framework in 2019, heads of entities were empowered to approve cost plans and a copy of the cost plan was to be copied to the Controller.

Increasing balances under the cost-recovery fund

49. In a memorandum dated 2 June 2012, the Controller mandated that cost-recovery charges must be reasonable and no more than the amount necessary to recover actual service costs and that such costs must be monitored to avoid any over-recovery of costs. The Board noted a steady increase in the balance of the cost-recovery fund (10 RCR) in the cash pool, from $152.9 million (2016) to $161.8 million (2017) and further to $199.3 million (2018), followed by a steep increase to $252.4 million (2019). The constantly increasing balance in the cost-recovery fund highlighted the risk to reasonableness of the cost recoveries and the possibility of overcharging for the services provided.

50. The Administration explained that the cost-recovery fund (10 RCR) was used for all cost recovery, both internal and external, with entities in Umoja being treated as internal and entities not in Umoja being treated as external. However, the Administration agreed to review the cost-recovery rates to ensure that they were not excessive.

Status of cost catalogues

51. The Board noticed from the active cost catalogues for samples of activity types under the cost-recovery fund (10 RCR) that active catalogue rates were changed arbitrarily in a few cases. In some cases, the changes (increasing or decreasing the active catalogue rates) amounted to 99 per cent year to year.

52. In a limited sample study, the Board noted wide variations in rates for similar activity types in the catalogue rates of December 2019 between entities:

(a) For email service, the cost catalogues rates were $271 for the United Nations Office at Vienna, $10 for the Economic Commission for Africa and $200 for the United Nations Office at Nairobi;

(b) For storage backup, the cost catalogues rates were $5 for the United Nations Office at Vienna, $4 for the Economic Commission for Africa and $2 for the United Nations Office at Nairobi.

53. The Board was informed that, to date, no study of cost comparisons across entities had taken place and that the Office of Programme Planning, Finance and Budget was working with the United Nations Office at Geneva on a project to review the taxonomy of services that would harmonize activities in the Secretariat and enable such a study in future.

Status of cost-recovery plans

54. The Board was informed that the Administration did not track entities that did not submit cost plans. If an entity does not submit a cost plan, it cannot access the revenue generated from its cost-recovery activities. For example, the Economic Commission for Africa did not prepare a consolidated cost-recovery plan in 2019 and it was silent about the preparation of cost plans for its various centres during the year.

55. The Board also noticed that there were wide variations in amounts across the years and between the consumable budget and consumed budget in respect of some cost centres. Further, expenditure exceeded cost recovered and revenue in some of the cost centres. The Board noticed that after-service health insurance and training costs were not recovered in one of the cost centres.

56. The Board carried out an analysis of a sample of cost plans of 2019, as provided by the Office of Programme Planning, Finance and Budget. The analysis is set out below.

Table II.5
Analysis of cost plans
(United States dollars)

Name of entity	*Estimated revenue*	*Estimated expenditure*	*Number of staff included in cost plan*
United Nations Office at Vienna	1 780 000	1 630 000	None (only short-term recruitment required)
United Nations Office at Geneva	4 235 941	4 235 941	2
United Nations Office at Nairobi	8 682 328	8 564 017	347
United Nations Headquarters	6 167 574	6 167 574	1
United Nations Assistance Mission for Iraq	9 279 938	8 908 116	None

57. As indicated in the table above, considerable variation existed in the number of staff included in the cost plans. The basis for the identification of staff for whom costs are to be included in the cost plans and hence to be recovered as part of the cost recovery

was not clear. Further, the Board did not notice consistency in the identification of cost elements for the preparation of cost plans among entities in the Secretariat.

58. The Board noticed that the United Nations Office at Geneva, in its response, had stated that the number of staff in the 2019 cost recovery activity was 132, with an estimated revenue of $30.4 million and projected expenditure of $30.3 million. Following the changes in the delegation of authority framework, the Office was not asked to submit a 10 RCR cost-recovery cost plan to United Nations Headquarters. The Board observes that the amounts included in the table above were incorporated from the 2019 cost plan for the United Nations Office at Geneva provided by the Office of Programme Planning, Finance and Budget and considers that there is an urgent need for reconciliation by the Administration between the different datasets of the cost plans available.

59. The Administration explained that, when reviewing cost plans, the Office of Programme Planning, Finance and Budget reviewed resource levels to ensure that there was adequate revenue to sustain staffing requests. It added that there was no direct correlation between the amount of revenue generated and the number of staff funded by cost recovery and that it was not possible to have a prescriptive number of staff based on revenue generated. Further, while there might be variations between cost plan estimates and actual expenditure, it was more important to ensure that actual expenditure did not exceed revenue generated.

60. The Board, in its report for 2018 (A/74/5 (Vol. I)), recommended that the Administration develop a comprehensive policy and guidelines detailing an approved list of services under each activity, devising a method for apportioning common overheads relating to cost-recovery activities and designating responsible persons at the entity level to promote accountability and transparency in the review and monitoring of cost-recovery activities. The Board noted that there was a need for a clear framework for the identification of services for which the recovery of costs could be carried out, for the identification of direct and indirect costs to be considered for the calculation of charges for the services and for inclusion of the same in the cost plans and also for linking the same with the resources projected in the programme budgets for the cost-recovery activities.

61. **The Board recommends that the Administration carry out a thorough review of cost recovery in the cost-recovery fund (10 RCR) to ensure its reasonableness.**

62. The Administration accepted the recommendation.

63. **The Board recommends that the Administration complete the harmonization exercise in a time-bound manner and review the existing methodology and instructions on cost recovery, including on the engagement of staff out of cost-recovery revenue, to ensure that there is a consistent basis for the identification of costs for the purpose of calculating catalogue rates and also for inclusion in the cost plans.**

64. The Administration agreed with the recommendation to complete the harmonization in a timely manner. The Administration explained that, as part of the work of the Cost Recovery Unit, a review of rates and a standardization of activities would take place as part of a phased approach over the following two years but added that some variations in rates were expected as the costs in duty stations differed across the Secretariat. It also explained that instructions on cost recovery were reviewed on an annual basis and that the Office of Programme Planning, Finance and Budget would continue that procedure and also put in place mechanisms to ensure adherence to policy guidance.

65. **The Board recommends that the Administration bring in the necessary controls to ensure that revisions of rates are made on the basis of consistent principles and methodology.**

66. The Administration agreed with the recommendation and informed the Board that the Cost Recovery Unit had had two staff working full time on cost recovery since the first half of 2020 and that the new team would begin a thorough review of existing rates and would work closely with the master data management team on strengthening processes.

67. **The Board recommends that the Administration institute a mechanism for conducting a periodic review of the cost-recovery system to check full compliance with extant instructions.**

68. The Administration agreed with the recommendation and explained that the Office of Programme Planning, Finance and Budget, with its staff in the Cost Recovery Unit, would carry out more detailed reviews of cost plans, staffing, rates and related administrative charges to ensure full cost recovery.

Programme support costs

69. As stated in the Secretary General's bulletin of 1 March 1982 (ST/SGB/188), programme support costs are administrative and technical costs incurred in the implementation of programmes and projects financed from extrabudgetary resources, including trust funds. The purpose of the programme support cost charge is to recover incremental indirect costs. Incremental costs are defined as additional costs incurred for supporting activities financed from extrabudgetary contributions. This charge is intended to ensure that these incremental costs are not borne by assessed funds and/or other core resources that are central to the budget review and approval process in the United Nations Secretariat. The Board noticed that, for operations of the United Nations reported in the volume I financial statements, the fund for programme support cost expenditure and revenue (62 RPS) had been used to account for programme support cost revenue and expenditure until 2018. Following delegation, entities had been allowed to open several new funds in 2019 to handle programme support costs.

Preparation of cost plans

70. The Board reviewed the cost plans of three entities[1] in the Secretariat and noted that the plans did not have a standard template or a granularity of details. The cost plans of two entities did not contain details of costs attributable to corporate initiatives (such as Umoja and master data management) and central support. The Administration stated that those costs were not to be charged to the respective cost centres. However, that response was inconsistent with the inter-office memorandums issued in December 2017 and 2018 on the indirect costs fund, wherein the share of costs towards corporate initiatives and central support for the cost plans of 2018 and 2019 had been clearly indicated for those two entities.

71. A comparison of staffing tables in the case of the cost plan of one entity revealed that the salaries for various positions had increased by approximately 10 to 15 per cent during 2019. That cost plan had been prepared on the basis of standard salary costs established for budget or cost plan preparation purposes. In another entity, a comparison of the staffing tables for 2018 and 2019 revealed that, although the charge for after-service health insurance had increased from 3 per cent in 2018 to 6 per cent in 2019, the salary costs had remained the same in both years for staff at the G-4, G-5 and G-6 levels, while the cost for staff at the P-5 level had been calculated with an

[1] The Department of Economic and Social Affairs, the Department of Political and Peacebuilding Affairs and the Executive Office of the Secretary General.

increase of 32 per cent in 2019. The Board was informed that the after-service health insurance accrual batch posted the actual accruals when payroll was run in Umoja and that the 2018 P-5 figure had been believed to be understated; a better estimate had hence been reflected in the 2019 cost plan.

72. The Board noted that there was a lack of common understanding and clarity among entities regarding the basis to be used for the calculation of staff costs to be included in the cost plans. Further, not including after-service health insurance charges in cost plans had the risk of understating total expenditure in cost plan estimates.

Expenditure exceeding income

73. In line with the inter-office memorandum issued in December 2018 on the indirect costs fund (programme support costs), allocations from the indirect costs fund must not exceed the indirect cost revenue generated and any shortfalls in revenue will have to be met by the entity's overall resources, in accordance with regulation 3.12 of the Financial Regulations and Rules of the United Nations, on voluntary contributions.

74. The Board carried out a macro-level analysis of balances in the cash pool for the fund for programme support cost expenditure and revenue (62 RPS) and noted that the balance had declined steadily, from $156.56 million on 1 January 2016 to $119.2 million on 1 January 2019. Further, the net assets of the fund had also been declining, with deficits being noticed during 2016 and 2017. The Administration stated that there was no specific cause of the declining net assets and added that the impact on programme support cost revenue was due to a reduction of the programme support cost rate of the Office for the Coordination of Humanitarian Affairs, including the Central Emergency Response Fund, from 3 per cent to 2 per cent during 2016, and an increase in expenses owing to the sharing of expenses since 2014 for major corporate initiatives such as Umoja deployment, Umoja maintenance and the global service delivery model by the 62 RPS fund.

75. The Board noticed (from the cost plan of 2018) that, in one entity, expenditure had exceeded income during 2016 and 2017. The Administration replied that, in order to correctly assess the financial performance of programme support costs, the actual programme support cost revenue and expenditure figures should be used, rather than cost plans or estimates. The Board noted that, although the figures had been quoted from the cost plans for 2018 shared by the Administration, the comparison of expense and revenue quoted above was based on actuals and not estimates.

76. Similarly, in the case of another entity, the Board noted that expenditure exceeded income in 2019. The Administration replied that resources to implement the work plans had been estimated in 2018, well before the generation of programme support cost income during 2019. It added that entities were advised of the respective shares of corporate and central costs at the very end of the year preceding the budget year and after the entities prepared their annual budget and that efficient and effective management of programme support costs and the essential functions funded by programme support costs were not possible without fully transparent and timely information on income and costs. The entity informed the Board that it was in active consultations with the Office of Programme Planning, Finance and Budget to modify the framework for the management of programme support costs.

Implementation of the prescribed rate of programme support costs

77. According to an inter-office memorandum dated 8 June 2012, the United Nations is to apply 13 per cent programme support costs when it retains primary and overarching programmatic responsibility and is the first or primary recipient of the funds; 7 per cent on all voluntary contributions in support of inter-agency and "Delivering as one" programmes and collaboration with other multilateral

institutions; and 3 per cent on projects that are entirely implemented by other United Nations entities, non-governmental organizations or government services ("pass-through arrangements"). Further, if the activities of a trust fund do not warrant the levy of full support costs, the Assistant Secretary-General for Financial Services may make an exception to this provision.

78. The Board sought details of grants approved during 2018 and 2019 at a rate lower than the prescribed rate of programme support costs. However, the details were not provided and the Board was informed that requests to exceptionally approve lower programme support cost rates were received on an ad hoc basis and that approval for the acceptance of lower programme support cost rates would be made if the implementation of the funds (e.g. a project) would require limited administrative support or if a donor provided other in-kind contributions, such as office space or vehicles, to cover some of the related overhead costs. In the absence of details of grants where programme support costs were approved at a lower rate and the justification therefor, the Board was unable to assess whether due diligence had been followed in approving lower-than-stipulated programme support cost rates and whether lower rates were approved only in exceptional cases.

79. **The Board recommends that the Administration review the programme support cost framework and related instructions, in consultation with entities, to ensure the transparent and timely availability of information on income and costs and harmonized practices across entities for the preparation of cost plans.**

80. **The Board recommends that, in view of the delegation of authority to the heads of entities to approve cost plans, periodic review of implementation be carried out to ensure that entities comply with extant instructions and that the programme support costs recovered by entities are sufficient to cover the expenditure.**

81. **The Board recommends that the Administration strengthen the process for the approval of grants with programme support costs at lower-than-stipulated rates to ensure that decisions are informed predominantly by financial impact analysis and that it maintain an audit trail for all those decisions.**

82. The Administration accepted all the recommendations and explained that, although the main principles for the management of indirect costs and programme support costs were still applicable to date, certain aspects, such as those relating to the changes in the system terminology, the organizational structure and the delegation of authority framework, need to be updated. The Administration agreed to carry out a periodic review of programme support cost and indirect costs funds to ensure that they were managed appropriately, in line with the Financial Regulations and Rules and related instructions. The Administration stated that the Finance Division of the Department of Management Strategy, Policy and Compliance had been monitoring the revenue generated and expenses incurred and cash balances per entity on a monthly basis and had established a programme support costs dashboard to be able to monitor the financial position of programme support cost and indirect costs funds.

Budget preparation and management

Variance between budget and actuals

83. IPSAS 24: Presentation of budget information in financial statements provides that an entity shall present, by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts. Note 5 to the financial statements in the present report provides explanations for material differences between the original and final budget amounts, as well as material differences between the final budget amounts and actual revenue

and expenditure on a modified cash basis. Differences greater than 5 per cent are deemed material. The Board noted that the notes disclosure in the financial statements for 2019 stated only the changed requirement and linked it with the second performance report, rather than providing an explanation for the differences in the financial statements.

84. The Administration responded that there was always room for improvement and that the level of detail provided had to be based on the purpose for such explanations. Further, the corporate guidance on IPSAS 24 provided that the United Nations had the option to provide explanations of material differences in documents other than the financial statements, as long as that document was issued and cross-referenced in conjunction with the financial statements.

85. The Board noted the reply of the Administration. The Board, however, is of the view that the explanations of the variances provided in the financial statements for 2019 do not provide adequate disclosure for the reader. Further, the second performance report is a separate report mandated to be presented to the General Assembly for its consideration for approval for final appropriations and provides an estimate of the anticipated final level of expenditure. The financial statements, on the other hand, need to present an explanation of the differences between the final expenditure and the final approved appropriations.

Alignment of the budget with Umoja

86. In the second performance report for the biennium 2016–2017 (A/72/606), the Secretary-General indicated that the alignment of budgets was an ongoing process, whereby current and future expenditure experience would inform budgetary adjustments in the future and performance reporting for the biennium 2018–2019. The Advisory Committee on Administrative and Budgetary Questions and the Board had, in earlier reports, expressed concerns regarding variances caused by misalignment between budget and expenditure and had requested that those issues be fully addressed by the end of the biennium 2018–2019.

87. Financial transactions are recorded in Umoja, which records expenditure by nature of expense. The budget is aligned by expenditure on different categories: general operating expenses, contractual services, furniture and equipment, etc. The Board noticed that variances kept arising owing to realignment of the budgeted categories or "objects", to link expenditure recorded in Umoja. The Board is of the opinion that incomplete alignment of budgeting codes and financial reporting categories results in the need to reallocate budgets for comparative purposes. Consequently, a direct comparison between approved appropriations and expenditure incurred is not possible, resulting in lower visibility of real variances between budget and actual expenditure.

88. The Administration stated that the biennial budget for 2018–2019 had been prepared using the old budget system (IMIS), which had different commitment items, and that the preparation of the 2020 budget in the business planning and consolidation module using Umoja commitment items had facilitated the further alignment of budgets in 2020. As the Organization gained more experience with budget implementation in Umoja, it was anticipated that, in 2020, there should be fewer related variances resulting from alignment. The Administration also stated that, while commitment items were consistently classified in Umoja, budget classifications had to be adapted with the consent of Member States and that such realignment was an ongoing change management problem that it was addressing with Member States.

89. **The Board recommends that the Administration provide self-contained explanations for material differences between final budget and actual revenue**

and expenditure in the notes to the financial statements, which would also add to the availability of improved information and better transparency.

90. **The Board recommends that the Administration complete the exercise of aligning Umoja objects of expenditure with budget objects of expenditure within a reasonable time frame.**

91. The Administration accepted the recommendations.

Formulation of the 2020 budget

92. In his report on shifting the management paradigm in the United Nations (A/72/492, A/72/492/Add.1 and A/72/492/Add.2), the Secretary-General made a number of proposals with the objective of reforming the planning and budgetary processes.

Change management

93. The Board was informed that a small project team of six people had been established to implement the changes to the programme budget, as approved by the General Assembly in its resolution 72/266. This team refined the format and methodology in line with the legislative guidance received from the General Assembly and also contacted internal stakeholders and external entities to validate the approach and methodology and to identify any areas for improvement based on feedback received. Further, 30 workshops had been delivered between April 2018 and early January 2019, covering the full span of regular budget operations.

94. The Board took note of the efforts made by the Administration. The Board also noticed that there were some areas marked for improvement in the content of the workshops that could further improve the capacity development of participants.

95. **The Board recommends that the Administration implement a mechanism for regularly fine-tuning and updating the content of the workshops and guidance based on the identification of challenges and feedback from participants.**

96. The Administration accepted the recommendation and agreed to strive to improve future budget workshops that incorporated training on the programme plan and resource requirements.

Budget preparation

97. The Umoja Extension 2 strategic planning, budgeting and performance management solution was to be used for the preparation of the 2020 budget proposals in lieu of the Budget Information System and the Integrated Monitoring and Documentation Information System. The Board noticed that the Umoja Extension 2 budget formulation solution was, in general, used for post and non-post resource requirements for the programmes and subprogrammes. However, the budget was first prepared using Excel and Word and then figures were entered into the budget formulation solution. The Board also noted that the slowness of the system and some system issues for inputting data had been flagged by some users.

98. The Administration acknowledged the limitation caused by the slowness of the system and stated that that would be addressed with the roll-out of new input forms that improved system performance. It also stated that the roll-out of new reports had been undertaken to facilitate budget preparation, review and finalization. The Administration added that the back-end business logic in the business planning and consolidation module had been re-engineered to significantly improve areas that had less-than-optimal performance.

99. **The Board recommends that the Administration continue to streamline the budget formulation exercise by improving the new budget formulation solution**

and resolving the challenges and issues being faced at various stages of the process, including the speed of the system and having to use Word and Excel first and then copying the figures into Umoja.

100. The Administration accepted the recommendation and stated that it would continue to try and streamline and improve the budgetary formulation and preparation process by leveraging the Umoja budget module based on lessons learned.

Results-based framework and monitoring

101. The General Assembly adopted resolution 55/231, on results-based budgeting, in December 2000. In its resolution 74/262, the Assembly emphasized the importance of comprehensive budgetary performance in the management of the programme budget and requested the Secretary-General to clearly link the budget inputs to tangible results. Also in that resolution, the Assembly stressed that results-based budgeting and results-based management were mutually supportive management tools and that improved implementation of results-based budgeting enhanced both management and accountability in the Secretariat, and encouraged the Secretary-General to continue his efforts in that regard.

102. The Board noted that budget expenditure could not be directly tracked against the achievement of outcomes or deliverables. The Administration had used the functionalities available in Umoja to generate reports that allowed departments and offices to better track expenditure against allotments. The Board was informed that, in terms of budget implementation, the Umoja performance monitoring application had been rolled out to enable programme managers to record progress against performance indicators, such as deliverables. The Board was also informed that the Secretariat was in the final stages of rolling out the performance dashboards that presented the progress of budget implementation both programmatically and financially.

103. The Board noted the response of the Administration and is of the view that there is a need for a time-bound plan to implement and utilize the planned solutions to enable linking and monitoring of expenditure with outcomes, which would be important for meeting the objectives of result-based budgeting.

104. **The Board recommends that the Administration continue to identify opportunities within Umoja to develop tools and applications to support better budgeting and review practices and strengthen existing tools to better track budget utilization against outcomes.**

105. The Administration accepted the recommendation.

Fund commitments

106. In accordance with regulation 5.3 of the Financial Regulations and Rules of the United Nations, appropriations shall remain available for 12 months following the end of the financial period to which they relate, to the extent that they are required to discharge obligations in respect of goods supplied and services rendered in the financial period and to liquidate any other outstanding legal obligation of the financial period. The balance of the appropriations shall be surrendered.

107. The Board noticed 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.

108. Fund commitments allow an entity to encumber funds against its budget to settle commitments that it has entered into. They should not be used to circumvent procurement or human resources rules and should not be created solely to reserve

funds for the subsequent year. Furthermore, the use of fund commitments within Umoja does not provide the level of visibility and control required to monitor and report on agreements. Owing to these various limitations within Umoja, the use of fund commitments should be restricted to very specific transactions. The Board noticed that the open fund commitments included $55.32 million worth of commitments made centrally for 19 entities, spread over 14 business areas. The Board also noticed that three of those centrally made fund commitments had been changed in 2020, which is not in line with the stipulations of the closing instructions issued by Headquarters. The Board was not clear on the exercise carried out to link compliance with the provisions of regulation 5.3 of the Financial Regulations and Rules with the identification and subsequent revision of those centrally made fund commitments.

109. The Administration stated that those commitments were part of the special commitments created in Umoja to secure the remaining funding. It had decided to create those special commitments owing to the level of unencumbered balances remaining as a result of measures put in place and the supply of projected deliverables being hampered by the liquidity situation. It stated that such extraordinary measures were needed to control the level of spending in the context of the liquidity situation. The Board was also informed that, notwithstanding the delegation of authority to heads of entities, liquidity management was undertaken centrally by the Controller under the advice of the Secretary-General. The special fund commitments executed centrally were in response to the special situation caused by the extraordinary liquidity problems, resulting in the postponing of expenditure to align spending with liquidity. In creating the commitments, due consideration was given to information submitted by offices as part of their second performance reports, which included projections for the remainder of the year and allowed the analysis to be done in a systematic and cohesive manner.

110. The Board noted that a working group had been established in 2016 to develop new guidelines on the usage of fund commitments and that the group had submitted draft recommendations in 2016. However, no decision on the finalization of guidelines for using fund commitments had yet been taken. The Board was informed that the Administration expected the guidelines to be finalized and circulated to all offices by June 2020.

111. **The Board reiterates 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.**

112. **The Board recommends 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.**

113. The Administration accepted the recommendations.

Cash, bank and investments

114. All bank accounts must be operated in line with the Financial Regulations and Rules of the United Nations. Rules 104.4 to 104.11 in regulation 4.15 specify the manner in which bank accounts should be opened, operated, reconciled or closed, in line with the needs of the Organization. The Administration is expected to perform monthly reconciliation of bank balances reflected in Umoja. For this exercise, banks are expected to provide prompt statements.

115. The Board was informed that there were 253 open house bank accounts that were used by the Organization as at 31 December 2019. Of those, 246 were linked to Umoja and 7 were not. The Board was also informed that 10 of those house bank

accounts were not linked to the Society for Worldwide Interbank Financial Telecommunication (SWIFT) or EastNets and that their bank statements were provided separately. The Board was also provided with a list of 14 house bank accounts that had been closed during 2019.

116. During its analysis of the bank accounts in Umoja, the Board noticed that there were another 52 bank accounts that had not been included in the list of 246 in-operation house bank accounts provided by the Administration. The balances of those 52 bank accounts were also used for the calculation of the year-end cash and cash equivalent balance in the financial statements. In the absence of details of those bank accounts, the Board could not generate and verify their balances from EastNets. The closing balance of the 246 in-operation house bank accounts was $482 million, which was $0.43 million less than the balance recorded in Umoja. The Board noted that a possible reason for that difference was the open balances in Umoja for dormant or closed house bank accounts as at 31 December 2019.

117. A further review of the balances of the 246 operational house bank accounts linked to Umoja revealed that balances for 7 of them were not available in Umoja. Details of two of the accounts and their closing balances were neither provided nor accounted for in the cash pool. For the remaining five accounts, the Administration informed the Board that:

(a) Two of the accounts were temporary and had been created to implement and test the prepaid card solution. They had been used only once and the balance in those accounts had been brought to zero. However, the bank statements reflecting the transactions and closing balance of those two accounts were not provided;

(b) One account was dormant and the need for it would be assessed. The Board noted from the statement provided with the response that the account had a balance of 198,041 yen, which had not been included in the cash pool balance;

(c) Another two house bank accounts were new and their integration and use was a work in progress. Technical challenges existed with regard to integrating them via SWIFT owing to country regulations and requirements. However, the closing balance of those two accounts was not reported and had not been included in the cash pool balance.

118. The bank statements for the seven bank accounts that were outside Umoja were not provided by the Administration. The Board could ascertain balances for only four of them from EastNets. The Administration stated that the need for those accounts would be reassessed, but remained silent on the balances for the remaining three accounts.

119. The Board noted that 16 house bank accounts had no transactions during 2019, or had transactions related only to interest distribution, goods and services tax refunds and bank charge debits, which were mostly automatic debit and credit transactions. The Administration informed the Board that a larger project on consolidating and reviewing collection bank accounts was being discussed with banks in terms of implementing the concept of virtual bank accounts and, in the light of that, the need for those bank accounts would be reassessed.

120. The Board also noticed that one house bank account had had a negative balance on many occasions during 2019. The Administration stated that that negative value could be due to an error of the cashier and that the process of cash management had been improved to reduce such errors. The Administration also stated that negative balances could occur when banks recorded replenishments with delays.

121. The Board is of the view that the management of bank accounts needs to be improved to address the differences in the number of in-operation bank accounts,

ensure that the year-end balances of all bank accounts are incorporated into the year-end cash pool balances and ensure the timely closure of bank accounts that are not needed.

122. **The Board recommends that the Administration reconcile the details of operational bank accounts with the open bank accounts in Umoja and ensure the inclusion of all bank accounts in the cash pool balances.**

123. **The Board recommends that Administration obtain the bank statements promptly from the house banks and update them in Umoja to reflect the actual cash position correctly.**

124. **The Board recommends that the Administration identify and close bank accounts that are inactive for a substantial period of time.**

125. The Administration accepted the recommendations and stated that most bank statements were obtained promptly using SWIFT and that it would continue to closely monitor the uploading of bank statements to bring, to the extent possible, the bank balances in Umoja up to date. It also informed the Board that the consolidation and rationalization of house banks had already started, and that it was proceeding cautiously to avoid disruption of banking processes. All dormant bank accounts would be closed and a project would be established to review bank accounts.

Negative cash pool balance in funds

126. The Board noticed that there were five funds with a negative balance in the cash pool as at 31 December 2019. The Board was informed that Umoja system set-up cash control procedures were robust and, if the cash level was insufficient, no accounts payable or journal voucher could be processed, as the system controls in place would prevent a transaction from being processed. Exceptional cases to cash control existed that had been set up by design.

127. The Administration stated that, although there was no time limit prescribed for the negative cash balance, fund managers should replenish cash quickly to allow the processing of further cash payments and that funds with negative cash balances would need to pay the equivalent of interest income on the negative balances back to the cash pool, which would be distributed to other pool participants.

128. The Board noted that the Administration's responses were not borne out by facts as one of the funds had had a negative balance since at least May 2015 and the negative balance had increased from $1.42 million at the beginning of 2016 to $2.88 million at the beginning of 2018. It was $1.27 million at the end of 2019. Another fund had had a negative balance of $2,612.45 since July 2017. This status indicated that interest was not being charged for the negative balance as stated by the Administration. The Board was not aware of any formal guideline in that regard.

129. **The Board recommends that the Administration formulate formal guidelines for the management of funds with negative cash pool balances and that it implement a mechanism for the periodic review of funds with negative cash pool balances.**

130. The Administration accepted the recommendation. It agreed to conduct a monthly review of negative cash balances and to notify the fund managers of the funds with negative cash balances to take corrective action and replenish the funds.

Valuation of defined end-of-service liabilities

131. Defined end-of-service liabilities account for 98 per cent of the total employee benefits liabilities of $6.04 billion. A full actuarial valuation of the end-of-service benefits, namely health-care benefits after retirement through the after-service health insurance programme, annual leave and repatriation benefits to facilitate the

relocation of expatriate staff members, was carried out in 2019. Actuarial valuation is based on medical insurance plan participant data, retiree medical information, enrolment experience and other information provided by the United Nations and extracted from Umoja. The Board noted that the quality, reliability and accuracy of the data were critical to the actuarial valuation.

132. Upon end of service, staff members and their dependants may elect to participate in a defined-benefit health insurance plan of the United Nations, provided that they have met certain eligibility requirements. One eligibility requirement is the period of service in the United Nations system, although it is not necessary that the required minimum qualifying period of in-service coverage be single, continuous periods. When a staff member meets the requirement, benefits under the after-service health insurance plans are attributed in proportion to the years of service from the date of entry on duty until the full eligibility date. The full eligibility date for those benefits is the later of age 55 and 5 years of credited service for staff hired before 1 July 2007 and the later of age 55 and 10 years of credited service for staff hired on or after 1 July 2007.

133. The Board pointed out, in its report for the period 1 July 2018–30 June 2019 on the United Nations peacekeeping operations (A/74/5 (Vol. II)) that the date of entry on duty in the census data (as maintained in Umoja) submitted to the actuary was erroneous. The Board was informed that date of entry on duty in accordance with United Nations Joint Staff Pension Fund data had been applied to active staff as of 31 December 2019 as it was considered more precise and applicable for the purpose of actuarial valuation of after-service health insurance liabilities reported in the volume 1 financial statements.

134. The Board compared a sample of entry-on-duty dates available in the personnel records of 45 employees with the corresponding dates in the United Nations Joint Staff Pension Fund data. The Board noted differences between the two. In one third of the cases (15 cases), the entry-on-duty dates in the personnel records were prior to the entry-on-duty dates in the Pension Fund. Moreover, the entry-on-duty date in the Pension Fund database was after the date of participation in the Pension Fund in five cases and before the date of participation in six cases. This raises doubts about the appropriateness of the Pension Fund dataset for actuarial valuation of after-service liabilities.

135. The Board also analysed the census data submitted to the actuary and took an additional sample of 50 cases and compared the first payslips in those cases with the census data. The Board noticed that, in half of the cases (25 of 50), a deduction had been made for a medical insurance contribution in periods before the entry-on-duty date in the United Nations Joint Staff Pension Fund dataset. Moreover, the Pension Fund entry-on-duty date column had not been populated for 587 index numbers in the census data sent to the actuary. This further establishes the weaknesses in the Pension Fund dataset on entry-on-duty dates for use in determining after-service health insurance liabilities.

136. Thus, even when using the United Nations Joint Staff Pension Fund dataset, the period of participating service was not accurately captured in a large proportion of cases and, as a result, the valuation of after-service health insurance liabilities continued to have errors. The Board is concerned that the high level of errors noted in the entry-on-duty dates indicate a risk of high levels of error in the calculation of after-service health insurance liability. Moreover, the same errors may have an impact on the valuation of other employee benefits such as the repatriation grant.

137. The Board holds that using United Nations Joint Staff Pension Fund data for actuarial valuation is not a long-term solution without a proper verification of the dates. The Board noted that the Administration itself had expressed reservations about the Pension Fund dates, given that serving in another United Nations entity and

contributing to the Pension Fund did not necessarily mean that a staff member had been enrolled in a health plan and that, in most entities, participation in such a plan was optional. The Board noted that the data was yet to be reviewed by the Administration, despite being pointed out by the Board, and that the impact of the data errors on the valuation of after-service liabilities remained unassessed.

138. The Board noticed other inconsistencies in the census data. There were some cases of incorrect exclusion and inclusion of active employees and retirees in the census data, reflecting the incorrect status of the employee in the census data and the exclusion of surviving spouses from census data. Further, the Board noticed cases where no health plan was indicated in the census data even though enrolment in a medical plan was indicated in Umoja and also some cases where a retiree was not in the census data but the Organization's contribution towards after-service health insurance was recorded. Moreover, in 841 cases, details of expired staff members were shown under the column for spouse details. The Administration provided clarification of the background and nature of some of those cases. However, the reasons for the errors in the census data were not provided in the majority of cases.

139. The Board is of the view that the Administration needs to revise the entry-on-duty data, for which it may carry out a review of personnel files, by using data from legacy systems or with the help of third-party administrators and insurance programmes. The time-dependent eligibility is determined on the basis of entry-on-duty dates. However, there are cases where staff members interrupt service and rejoin the United Nations at a later date. In addition, staff members often join the United Nations on a contract that does not count towards after-service health insurance liability. In these cases, the entry-on-duty date might be chronologically correct, but it is not suitable for valuing the after-service health insurance liability. For the after-service health insurance valuation, a data field such as "accumulated qualifying months of participation" might be useful.

140. **The Board recommends that the Administration ensure the correctness of the entry-on-duty date parameters to ensure the reliability of the census data and consequent valuations.**

141. The Administration accepted the recommendation and acknowledged that the United Nations Joint Staff Pension Fund entry-on-duty dates, although more suitable for the purposes of the actuarial valuation than the United Nations common services entry-on-duty dates, were not an ideal parameter to calculate the eligibility for after-service health insurance benefits. To address that concern, the Administration was committed to creating a task force to collect the participation period of the United Nations health-care plans to be used in the next actuarial valuation, as at 31 December 2021. The Administration also acknowledged that the use of the Pension Fund's entry-on-duty date was an interim solution and stated that it was committed to collecting the participation period in the United Nations health plans for future actuarial valuations.

142. **The Board recommends that the Administration coordinate with other entities participating in health insurance plans to establish effective monitoring mechanisms for the accuracy of membership records and contributions.**

143. The Administration accepted the recommendation and stated that it was committed to carrying out a thorough exercise to collect the participation period of health plans for use in future actuarial valuations.

144. **The Board recommends that data on surviving dependants should be clearly demarcated from retiree data and that efforts be made to remove data regarding deceased staff members, which are not required for actuarial valuation.**

145. The Administration accepted the recommendation and stated, inter alia, that data on surviving dependants could be improved, especially in respect of dates of birth, adding that it strove to improve the data going into the census as much as possible and would continue to do so. The Administration also replied that spouses who were not clearly identified as surviving dependants should not be treated as surviving dependants for valuation purposes.

Medical insurance

146. The United Nations has established health and dental insurance plans as part of the social security scheme for United Nations staff and retirees. Most of the plans are self-insured and managed in two locations: United Nations Headquarters in New York and the United Nations Office at Geneva. In the case of self-insurance plans, the Organization and the participating subscribers assume the risk of providing health insurance to the members. The plans are administered by third-party administrators on behalf of the United Nations or, in the case of the United Nations Staff Mutual Insurance Society against Sickness and Accidents, are self-administered. The United Nations acts as the principal for the self-insurance arrangements, that is, as the party being exposed to the risks and rewards associated with the plans. The third-party administrators receive the claims of the staff members and retirees who are members of the insurance schemes on behalf of the United Nations, scrutinize them and determine the payments to be made against the claims. External United Nations entities and agencies also participate in the Organization’s health and dental insurance plans.

Cost-sharing arrangement

147. The United Nations health insurance plans are self-insured plans, whereby the risks are borne collectively and the contributions are made by both the Organization and the participating subscribers. The Board was informed that yearly premiums were calculated to meet medical expenses and administration costs in the forthcoming 12-month contract period and that, each year, the expected overall costs of the programme were first expressed as premiums and then borne collectively by the participants and by the Organization in accordance with the cost-sharing ratios set by the General Assembly.

148. The Board noted that the General Assembly, in its resolution 38/235, had decided that a maximum ratio of 2 to 1 between the share of the Organization and the contributor, respectively, would be used. The Board was informed that the cost-sharing ratio for the United Nations Worldwide Plan and United Nations Staff Mutual Insurance Society against Sickness and Accidents plans was 50-50 (1:1) and that no such share was prescribed but plan participants had graded contribution ratios for the Medical Insurance Plan for locally recruited staff at designated duty stations away from Headquarters.

149. The Board noticed from the information provided by the Administration that the ratio of the share of the Organization and the contributor for the New York-based self-insurance plans was 2.34:1 for volume I in 2019. The same ratio for the United Nations Worldwide Plan worked out as 1.19:1 for 2019.

150. The Administration shared with the Board a set of worksheets to arrive at the ratio of 2 (Organization): 1 (contributor) for the New York-based plans for a limited period of two months in 2019. The Board noted that those worksheets had been based on different premises: some included the data of a few other participating entities, while others excluded other participating entity data and some excluded after-service health insurance contribution information while working out the ratio. The Board also noted from an analysis of the data that the ratios for New York-based plans worked out as different for different participating entities, ranging between 1.24:1 and 3.42:1.

151. The Administration stated that the self-insured United Nations health insurance plans were experience-rated, with annual premiums based on a combination of the

expenses incurred by all plan participants in the prior year, the expected effect of higher utilization and inflation and the appropriate allowance for administrative costs.

152. Premiums and contribution rates for all staff members and retirees (including the whole population, not only the ones in volume I) are revised and calculated once a year prior to the 1 July start of the plan year to ensure compliance with the mandated ratios. It should be noted that participant contributions are dependent upon the type of coverage, as well as on an individual's salary or pension level, so that participants at lower salary and pension levels receive a larger share of the health benefit costs from the Organization than staff and retirees at higher salary and pension levels.

153. Considering the above and noting that the proportion of retirees compared with active staff varies across funding sources, it is reasonable to expect that the contribution ratio is different if considered only for volume I separately and without taking into consideration the rest of the participants in the plan.

154. The basis of calculating the share of individual participating entities and complete information about contributions from the individual participating organizations during 2019 was not provided by the Administration to the Board. In the absence of those details, the Board was unable to carry out a complete analysis of the cost-sharing arrangement among the different participating entities for the self-insurance plans.

155. **The Board recommends that the Administration ensure that the decision of the General Assembly to maintain a maximum ratio of 2 to 1 for the share of the Organization and the contributor is complied with for all participating entities.**

156. The Administration stated that, at the time of the plans' renewal each year, in April, the cost-sharing ratio for the Headquarters-administered United States of America-based health plans was calculated at a 2:1 ratio with an effective date of 1 July. The contribution rates for active staff and retirees participating in after-service health insurance established on that basis were applicable to all participants in those plans, regardless of the funding source or the entity they worked for or had retired from. As a result, specific entities or funding sources might have an effective ratio slightly lower or higher than 2:1, depending on the composition of their participants' population at any point in time. The concept of having common plans across United Nations entities and funding sources within the Secretariat was cost-effective and efficient and provided significant economies of scale. The Secretariat would document in detail the process and the mechanism of cost-sharing to better illustrate its practice and full compliance with the mandated ratios.

Improving disclosures regarding participating entities and cost-sharing

157. The Organization is responsible for administering or appointing the administrators of the plans and acts as the principal for the self-insurance arrangements. External entities and agencies also participate in the Organization's health and dental insurance plans but contribute only premiums and have no control over the plans.

158. The Board noticed in the existing disclosure in the notes to the financial statements that:

(a) Names of the participating entities and agencies had been included. However, the details disclosed were not complete and the names of several other participating entities, including the United Nations Joint Staff Pension Fund, the International Labour Organization and the United Nations Relief and Works Agency for Palestine Refugees in the Near East, had not been disclosed;

(b) Details of contributions received from each participating entity, including the share of the contribution of the organization and the contributor, had also not been disclosed.

159. The Administration stated that all those entities represented only about 6 per cent of the total insured and it was of the opinion that it was immaterial and, therefore, not necessary to mention them in the notes to the financial statements.

160. The Board noted that some of the entities included in the notes also had low percentages in the total insured. The Board is of the opinion that disclosing details of the entities participating in the health insurance plans and including their contributions in the total amounts is very important for the reader of the financial statements and would aid the cause of transparency in the management of the health insurance function in the Organization.

161. **The Board recommends that the Administration include names of all the participating entities in the health insurance plans, along with details of their contributions, including details of the share of the Organization and the contributor, in the notes to the financial statements.**

162. The Administration stated that it would consider disclosing the participating entities with more than 100 staff members enrolled and that the number of such entities would be 13 or 14, or two times the current disclosure. It also added that there was strict adherence to the cost-sharing ratio approved by the General Assembly, current disclosure was considered adequate and the disclosure of such derivative information was not necessary.

163. The Board noted the response of the Administration and reiterates that disclosure of the full list of participating entities and their cost ratios in the notes to the financial statements is important for transparency and assurance with regard to compliance with the General Assembly-mandated ratio for all participating entities.

Administration of the United Nations Staff Mutual Insurance Society against Sickness and Accidents

164. The United Nations Staff Mutual Insurance Society against Sickness and Accidents is a self-insured and self-administered insurance society headquartered at the United Nations Office at Geneva. Its objective is to reimburse the expenses incurred by its members arising from sickness, accident or maternity (United Nations Staff Mutual Insurance Society against Sickness and Accidents statutes, article 3). As of March 2020, the Mutual Insurance Society had insured approximately 31,000 staff members from various organizations and processed on average about 135,000 claims per year. During 2019, the Mutual Insurance Society incurred expenses of $110 million for claims paid and operational costs and recognized $121 million as contributions revenue. The Mutual Insurance Society is administered by an Executive Committee and a secretariat. In terms of governance, the ultimate decision on important matters related to the Mutual Insurance Society lies with the Director-General of the United Nations Office at Geneva.

165. Insurance providers are exposed to specific risks and bear specific responsibilities. Therefore, the Organization for Economic Cooperation and Development (OECD) has developed a guideline that provides recommendations on how the governance structure for an insurance provider should be organized. The OECD recommends its application for the whole insurance sector, including mutual insurance providers such as the United Nations Staff Mutual Insurance Society against Sickness and Accidents.

166. The Board reviewed selected elements of the guideline and compared them with the practice at the United Nations Staff Mutual Insurance Society against Sickness and Accidents. The Board found that the Mutual Insurance Society had commissioned an

actuary to undertake a solvency study during 2019 to perform long-term projections and analyse the solvency. The study contained several scenarios with deviating actuarial assumptions. The previous solvency study had been carried out seven years prior, in 2012.

167. The United Nations Staff Mutual Insurance Society against Sickness and Accidents stated that it did not have a regular mechanism in place to carry out a solvency study; certain cases existed that would trigger the commissioning of such a study.

168. While the OECD guideline is not binding, it can be a good reference point for insurance providers to define their internal governance framework. The Board holds that the United Nations Staff Mutual Insurance Society against Sickness and Accidents should consider adhering to the recommendations of the OECD guideline. While the Board acknowledges the efforts made to ensure the solvency of the Mutual Insurance Society and while it recognizes that solvency studies are cost-intensive and that the necessary data collection also ties up staff capacity, the Board is of the view that a formal mechanism to carry out such studies regularly should be implemented and that the rationale for assumptions should be clearly documented and reviewed.

169. The OECD guideline also stipulates that an insurance provider should establish an internal audit function. For the United Nations Staff Mutual Insurance Society against Sickness and Accidents, this function is carried out by OIOS. OIOS carried out its latest audit in the fourth quarter of 2016, covering the period January 2014–August 2016. In 2020, OIOS started an audit focusing on medical claims. In addition, the secretariat of the Mutual Insurance Society regularly carried out financial accuracy audits to review a certain number of insurance claims.

170. The Board is of the view that an internal audit for an insurance provider should be conducted regularly and should cover all potential periods. While the Board acknowledges the additional efforts by secretariat of the United Nations Staff Mutual Insurance Society against Sickness and Accidents, the Board holds that such an exercise should be carried out regularly by an independent body.

171. The Board acknowledges that the United Nations Staff Mutual Insurance Society against Sickness and Accidents, as a United Nations internal insurance provider, is not bound to any insurance-specific regulatory or supervisory framework. However, the Board considers that it is exposed to the same risks and bears the same responsibilities as a regular insurance provider.

172. **The Board recommends that the United Nations Office at Geneva, in line with best practices and OECD guidelines, establish a formal mechanism to carry out solvency studies and projections regularly and consult with OIOS in order to conduct more regular audits of the operations and internal controls of the United Nations Staff Mutual Insurance Society against Sickness and Accidents.**

173. The Administration accepted the recommendation. The United Nations Staff Mutual Insurance Society against Sickness and Accidents stated that it intended to establish guidelines, in consultation with the Executive Committee, to formalize the time frames and procedures for carrying out solvency studies and projections.

Physical inventory reconciliation and optimization project

174. The Administration launched a physical inventory reconciliation and optimization project in October 2018 to address the data accuracy issues with inventory and equipment data following the decommissioning of Galileo. The project ended in July 2019 and a review of the project revealed that, between November 2018 and June 2019, the total value of different items under single product identifications had decreased from $4.1 million to $2.7 million; the total value of items without movement since the decommissioning of Galileo had reduced from $9 million to

$4.4 million and the total value of different items that were mapped to a single product identification and had no movement had decreased from $4 million to $0.2 million.

175. During a review of the progress, the Board noted that:

(a) 90 per cent of inventory line items under predefined data issues or scope definitions had been corrected in the entire Secretariat and its entities. However, the Office of the Joint Special Representative of the United Nations and the League of Arab States for Syria, the United Nations Regional Office for Central Africa (UNOCA) and the United Nations Truce Supervision Organization had reported low correction proportions, of 67 per cent, 20 per cent and 70 per cent, respectively;

(b) A physical count of materials was critical for the identification, reconciliation and correction of material records. However, special political missions covered in the physical inventory reconciliation and optimization project had physically counted 93 per cent of consumables and supplies during 2019. Further, the Office of the Special Envoy of the Secretary-General for Yemen and UNOCA had reported a count of 42 per cent and 47 per cent of consumables and supplies, respectively. The Administration informed the Board that the physical count results of the Office of the Special Envoy of the Secretary-General for Yemen and UNOCA had improved substantially during the previous two months of the calendar year, from 0 per cent. The inventories in the Office of the Special Envoy of the Secretary-General for Yemen had been counted; however, the process of recording the count results had been negatively affected by delays with provisioning roles for newly recruited staff members. The delay in uploading the inventory count results to Umoja in UNOCA was attributed to the limited staffing capacity and conflicting priorities within the mission area of operation.

176. The Board also noticed that post-physical inventory reconciliation and optimization follow-up on monitoring mechanisms for ensuring the clean-up of remaining inventory line items and capturing them correctly in financial statements had not been established.

177. The Board noted that guidelines for inventory and warehouse management, summarizing key physical inventory reconciliation and optimization principles, procedures and activities, had been issued in December 2019 to all special political missions. The missions were to institute them in their daily operations to ensure consistency between Umoja data and physical inventory. With the new delegation of authority framework, implemented from 2019, the responsibility and accountability for ensuring process compliance and data quality rests with individual entities. The guidelines emphasized that failure to ensure compliance would again result in corruption of inventory data and consequent inaccuracies in financial statements.

178. The Board noted that, although the authority for property management was delegated to the heads of missions, the authority and responsibility for the preparation of the financial statements still rested with Headquarters. As property management directly affects the financial statements, it needs to be monitored, as proper identification of inventory clean-up and accounting adjustments would remain vital for the preparation of accurate IPSAS-compliant financial statements. The Board noted that the existing accountability framework for monitoring delegated decision-making on property management and the key performance indicators instituted did not capture information on data inaccuracies in the same way as the physical inventory reconciliation and optimization project for correction purposes.

179. The Board was informed that the physical inventory reconciliation and optimization project was the second inventory clean-up exercise undertaken in two years, that those activities had become an integral part of the normal course of business and that the responsibility for ensuring process compliance and data quality

rested with the various entities. The Administration stated that the Global Asset Management Policy Service would continue strengthening the performance reporting regime of property management for missions and that additional quality control measures would be implemented to enhance assurance over data quality on assets, equipment and inventory.

180. The Board noted that, in view of the low number of corrections during the physical inventory reconciliation and optimization project and subsequent low percentage of physical counts at some missions, there was a risk of inventory data quality having gaps regarding existence and valuation. The Board is concerned that non-compliance with operational guidelines based on physical inventory reconciliation and optimization principles could again affect the quality of inventory data and consequently cause inaccuracies in financial statements. Therefore, specific performance indicators to measure and report potential data inaccuracies based on key data issues obtained throughout the physical inventory reconciliation and optimization project need to be put in place.

181. The Board also noted that the Finance Division was working alongside the physical inventory reconciliation and optimization team to ensure that the financial implications of all activities were considered and addressed. It was also stated that the pertinent adjustment was supposed to be entered using a special transaction identifier, but that only a $1.8 million net decrease in consumables and supplies had been recorded using that method. The Board noted that much larger clean-up activities had been entered as regular receipt and issue transactions, thereby inflating the amounts related to purchase and consumption during the current year; thus, the exact impact of the project on the 2019 financial statements could not be ascertained. The Board also noticed that UNAMI accounted for 22 per cent of the inventory in volume I identified for correction under the physical inventory reconciliation and optimization project and that it had also completed full review of those items up to June 2019. However, the accounting adjustment for the physical inventory reconciliation and optimization project carried out in 2019 did not include any amount for UNAMI.

182. The Administration stated that the Finance Division in the Department of Management Strategy, Policy and Compliance worked with the Department of Operational Support to ensure that the correct transaction identifier was available for use by the entities. In addition, the Finance Division had provided the Department of Operational Support with updates on the values of reported adjustments recorded with that identifier during the project. The Board noted that UNAMI did not use that identifier, which resulted in an inability to identify the financial impact of their physical inventory reconciliation and optimization clean-up activities. Owing to the large volumes of goods issuances and goods receipts being performed by those entities, there is no easily identifiable method of highlighting which transactions are specifically related to physical inventory reconciliation and optimization activities.

183. The Board also noticed that, since it was a clean-up exercise for the correction of inaccuracies in the inventory data, the related accounting adjustments in inventory balances required retrospective adjustments or restatements, in accordance with IPSAS 3: Accounting policies, changes in accounting estimates and errors. While informing the Board of the unavailability of historical data owing to a change of system as the reason for recording all physical inventory reconciliation and optimization adjustments in 2019, the Administration assured the Board that it was being mindful of retrospective adjustments going forward.

184. **The Board recommends that the Administration put in place specific performance indicators to measure and report potential data inaccuracies, based on key data issues obtained throughout the physical inventory reconciliation and**

optimization project, and a supporting mechanism for follow-up and proper accounting adjustments.

185. The Administration accepted the recommendation and stated that it would continue to strengthen the quarterly performance reporting of property management. Additional quality control measures would be implemented to enhance the assurance over the quality of the data on assets, equipment and inventory.

186. **The Board also recommends that compliance with IPSAS provisions relating to retrospective restatement for the prior period or disclosures for the impracticability thereof be ensured while reporting corrections in inventory balances carried out as a result of projects and exercises such as the physical inventory reconciliation and optimization project in the financial statements.**

187. The Administration accepted the recommendation.

Key management personnel

188. IPSAS 20: Related party disclosures requires the disclosure of information about related party relationships and transactions primarily for accountability purposes. One of the principal issues in disclosing information about related party relationships is the identification of the parties that control or significantly influence the reporting entity. Significant influence is the power to participate in the financial and operating policy decisions of an entity. Related parties include key management personnel, who have been defined as persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity.

189. In December 2018, the Secretary-General promulgated a revised framework for the reissuance of new delegations of authority directly to heads of entities, with a view to decentralizing decision-making, aligning authorities with responsibilities and strengthening accountability (ST/SGB/2019/2). Under the revised delegation of authority framework, which covers the functional areas of human resources, finance, procurement, travel and property management, authorities and responsibilities on wide-ranging matters previously held centrally by Secretariat authorities have been delegated to heads of entities. With this, the heads of missions, regional commissions and Secretariat departments are now vested with strengthened authority and responsibility for planning, directing and controlling activities, thereby having a significant influence on the entity. Moreover, the senior manager's compacts signed by various heads of entities for 2019 validate their greater role in planning, monitoring and implementing the mandates of United Nations charter.

190. The Board, however, noticed that only the Secretary-General, the Deputy Secretary-General and selected officials at the Under-Secretary-General, Assistant Secretary-General and Director levels at headquarters locations (New York, Nairobi, Geneva and Vienna) had been disclosed as key management personnel in the financial statements. The names of heads of entities with strengthened authority and responsibility for planning, directing and controlling activities had not been disclosed in the notes to the financial statements and, as a result, their remuneration and potential related party transactions had also not been disclosed. Furthermore, major classes of key management personnel, with a description of classes, had not been disclosed in the notes to the financial statements.

191. **The Board recommends that the Administration consider all heads of entities who have the authority and responsibility for planning, directing and controlling the activities of their entity as key management personnel, in accordance with IPSAS 20, and that it include all relevant disclosures for that group in the notes to the financial statements.**

192. The Administration did not agree with the recommendation and informed the Board that it considered the current 11 key management personnel as having the authority and responsibility for planning, directing and controlling the activities of volume I as a whole. The existing key management personnel had transferred only some authorities and decision-making to front-line managers, enabling more efficient operations in field offices by faster decision-making, but had not allowed them to plan and take decisions unrestrictedly. The Administration also stated that it intended to continuously review the perimeter of the key management personnel and adjust it on a yearly basis as needed.

193. The Board observed that new delegated authorities were not only operational but also included executive decisions in all functional areas of management that result in planning, directing and controlling the activities of the entity. Moreover, the heads of entities were responsible for effective delivery of the mandate and the revised delegation of managerial authority was also carried out to achieve that objective. The Board holds that responsibility for the delivery of the mandate, together with the enhanced authority and responsibility, results in significant influence of heads of entities over the financial and operating decisions. Further, the Board is of the view that the objective of IPSAS 20 is to disclose information for better transparency and accountability. The disclosure of heads of entities as key management personnel would aid this cause, which would also be in line with the Secretary-General's demand for greater and strengthened accountability.

Recognition of expenses

194. The IPSAS corporate guidance on the delivery principle provides that expenses recognized should reflect the real stage of completion of the service, even where amounts have not yet been invoiced. Thus, expenses for services should be recognized in line with agreed milestones, regardless of the date of invoicing. The guidance also provides that expenses for services should be recognized by reference to the stage of completion of the transaction at the reporting date.

195. During its examination of a sample of transactions, the Board noticed that, in seven cases, expenses had been recognized during 2019 even though the goods and services had been received in previous years. Further, in three cases, the relevant purchase orders had been issued with retrospective effect and, in one case, delivery had taken place before the approval of the purchase. The Board also noticed that, in the majority of the cases, no original documents except for purchase orders had been uploaded in Umoja.

196. The Administration stated that all purchase orders except one had been appropriately accrued as expenses in 2018 and that the one exceptional case was the result of a delay in the approval of the service entry sheet. The Board noticed that, in all those seven cases, expenses had been recognized during 2019. Moreover, in a few cases, the accounting entry for recognition during 2018, as stated by the Administration, had actually been reversed in 2019 and a fresh recognition entry had been passed.

197. **The Board recommends that the Administration create and approve service entry sheets promptly upon the delivery of a service and, especially at year end, have the service entry sheet approved within the deadline so that the relevant expense is posted in the correct year.**

198. **The Board recommends that the Administration ensure compliance with the delivery principle when recognizing expenses and that it upload all relevant documents in Umoja.**

199. The Administration accepted the recommendations.

E. Implementation of management reforms

200. In his report entitled “Shifting the management paradigm in the United Nations: implementing a new management architecture for improved effectiveness and strengthened accountability” (A/72/492/Add.2), the Secretary-General proposed management reforms that were agreed to by the General Assembly in its resolution 72/266. Those reforms involved the reorganization of the Department of Management and the Department of Field Support into two new departments at Headquarters: the Department of Management Strategy, Policy and Compliance and the Department of Operational Support. They also involved improving the effectiveness and accountability of the Organization’s efforts to implement its mandates through a decentralized Secretariat in which responsibility for mandates is aligned with authority for managing resources and decision-making is located closer to the point of delivery.

Organizational structure of the Department of Management Strategy, Policy and Compliance and the Department of Operational Support

201. In addition, the information and communications technology function in the Secretariat was unified, consolidating the Office of Information and Communications Technology of the erstwhile Department of Management and the Information and Communications Technology Division of the erstwhile Department of Field Support into a restructured Office of Information and Communications Technology, retaining reporting lines to both the Department of Management Strategy, Policy and Compliance and the Department of Operational Support.

Governance structure and coordination

Promulgation of the Secretary-General’s bulletin on the changed organizational structure

202. The extant administrative issuance on the organization of the Secretariat of the United Nations is ST/SGB/2015/3. In section 3 (Organizational structure) of the bulletin, the Department of Management and the Department of Field Support are mentioned, despite the fact that those departments ceased to exist following the management reforms. There is a need for a suitable revision to reflect the present organizational structure of the Secretariat.

203. The Board noted that, in section 3.3 of ST/SGB/2015/3, it is stated that the mandate, functions and organization of each of the units are to be prescribed in separate Secretary-General’s bulletins. In line with the Secretary-General’s report A/72/492/Add.2, the Department of Management Strategy, Policy and Compliance will review, on a continuous basis, all existing administrative issuances to ensure that they are up to date and remain relevant. The Board noted that the administrative

issuance on the organization of the Secretariat was yet to be promulgated even after more than 15 months of the commencement of the implementation of the management reforms. The Board is of the view that Secretary-General's bulletins for the Department of Management Strategy, Policy and Compliance and the Department of Operational Support, specifying their mandate, functions and organization, particularly with the dual human resources structure, may have brought greater clarity to the roles and responsibilities of the two departments in the early stages of the implementation of the management reforms.

204. **The Board recommends that the Administration take expeditious action to amend and promulgate the Secretary-General's bulletins to specify and enhance the clarity of the roles and responsibilities of the Department of Management Strategy, Policy and Compliance and the Department of Operational Support.**

205. The Administration accepted the recommendation and stated that both Secretary-General's bulletins were in progress. The consultations were tentatively scheduled to begin in August 2020.

Clarity over function and ownership

206. The General Assembly approved the Secretary-General's proposal contained in his report entitled "Shifting the management paradigm in the United Nations: comparative assessment of human resources structures" (A/73/366) for a dual structure for human resources. Under the dual structure, the Office of Human Resources in the Department of Management Strategy, Policy and Compliance would focus on establishing human resources strategies, developing human resources policies and establishing accountability and compliance framework for human resources, while the Human Resources Services Division under the Department of Operational Support would be responsible for operational and transactional activities.

207. The management reform proposals in the report of the Secretary-General (A/72/492/Add.2) informed a high-level division of work between the Department of Management Strategy, Policy and Compliance and the Department of Operational Support. The Board noted a few instances of lack of clarity and/or possible overlap in the functioning of the two departments, as follows:

(a) Areas, projects and processes, including those related to information and communications technology, for which ownership or final decision-making authority was not clearly established and documented, examples being the roles of the two departments in the recruitment process for the oversight body (the central review body) and ownership of Inspira, which is an information technology platform for the recruitment of staff, individual contractors and consultants and interns. The Board noted that OIOS, in the report on its audit of Inspira (2019/119), had also stated that the two departments needed to define and agree on process ownership and assign roles and responsibilities for Inspira-related processes;

(b) The Strategic Talent Management Service of the Department of Management Strategy, Policy and Compliance played both strategic and operational roles. It conducted a range of outreach activities, including on-site outreach missions in a number of countries. The Board was informed that 2019 had been a year of transition from operations to strategic output and that the second half of 2019 had seen a reduction in operational activities and a greater focus on strategic work;

(c) The Administrative Law Division of the Department of Management Strategy, Policy and Compliance was responsible for providing services to the entire Secretariat and field entities on matters of conduct and discipline. All entities were required to approach the Division directly to enable the smoother management and disposal of cases and the Division would interact directly with officials throughout the Secretariat with delegated authority to address conduct issues and provide legal advice and guidance on internal justice matters. The Board noted that Operational Support and Advisory Service of the Department of Operational Support worked with a tiered support approach and its standard operating procedures provided for the routing of any queries involving a United Nations Dispute Tribunal case, a potential administration of justice matter, disciplinary matters or consultation with the Administrative Law Division to the Specialized Advisory Unit-Legal of the Human Resources Services Division of the Department of Operational Support in the first instance.

208. The Administration informed the Board that there was no overlap between the Department of Operational Support and the Department of Management Strategy, Policy and Compliance. The Department of Operational Support provided human resources support and human resources advice to Secretariat entities on all aspects of their exercise of human resources delegation of authority and the Administrative Law Division of the Office of Human Resources of the Department of Management Strategy, Policy and Compliance provided a legal service and legal advice to the Organization and its managers relating to the system of administration of justice. The Administration stated that both departments had areas of common interest and that they collaborated to serve clients. The Office of Human Resources of the Department of Management Strategy, Policy and Compliance and the Human Resources Services Division of the Department of Operational Support had established a joint governance mechanism to collaborate on human resources activities. The Office of Human Resources provided the necessary strategic and policy guidance in a timely manner on strategic workforce and talent management as well as on policy development. Several initiatives were under way with respect to aiding operational aspects. The Office of Human Resources was closely partnering with the Department of Operational Support on policy simplification; knowledge management, monitoring and compliance; addressing Umoja- and Inspira-related technical issues; and looking at systems enhancements.

209. The Board noted the response of the Administration. However, the Board is of the view that it is important to clearly identify and define the roles and responsibilities at the last mile level to avoid any real or perceived possibility of overlap between the Department of Management Strategy, Policy and Compliance and the Department of Operational Support, which would also ensure optimum benefits for the dual Headquarters support structure, segregating policy and operations in line with the report of the Secretary-General (A/73/366), protecting against the likelihood of conflicts of interest and allowing for better risk management and more objective evaluation.

210. **The Board recommends that the Administration clearly define and document the roles and responsibilities of the Department of Management Strategy, Policy and Compliance and the Department of Operational Support, including decision-making authority, for all human resources processes and projects, to avoid any potential confusion among their shared clients.**

211. The Administration agreed with the recommendation and stated that the Department of Management Strategy, Policy and Compliance and the Department of Operational Support had areas of common interest and that both departments already collaborated to serve clients. The Office of Human Resources of the Department of Management Strategy, Policy and Compliance and the Human Resources Services Division of the Department of Operational Support had established a joint governance mechanism to collaborate on human resources activities. The Office of Human Resources provided strategic and policy guidance in a timely manner on strategic workforce and talent management, as well as on policy development.

Management Client Board

212. As set out in reports of the Secretary-General (A/73/366 and A/72/492/Add.2), the Management Client Board, an internal management body co-chaired by the heads of the Department of Management Strategy, Policy and Compliance and the Department of Operational Support, is to serve as a feedback and consultation mechanism between the management architecture at Headquarters (the Department of Management Strategy, Policy and Compliance and the Department of Operational Support) and entities across the Secretariat. To realize this goal, the Secretariat entities were divided into nine[2] different types of client entities and the membership of the Management Client Board was to include rotating representatives from each of them. It was expected that, through the Management Client Board mechanism, entities could ensure that their particular requirements and concerns were understood by both departments and therefore reflected in the development of regulations, rules and policies and the delivery of operational support.

213. In line with its terms of reference, the Management Client Board is to be supported by a secretariat that will consult with all members prior to each meeting. As representatives of multiple client stakeholders, Board members are responsible for ensuring that mechanisms and channels are in place to solicit input from the offices they represent in advance of Board meetings. Agenda items are to be presented by the members to the Board secretariat, which will develop procedures to ensure the timely intake of issues by the Board. The Board is expected to meet quarterly.

214. The Board noted that the procedure for ensuring the timely intake of issues by the Management Client Board had not been developed, documented or circulated to Board members by the Board's secretariat. Although the Board is required to meet quarterly, its meeting dates were not circulated well in advance. Owing to short notice periods for their meetings, Board members sought input and feedback from their clients within two to three days. Agenda items are to be presented by the relevant members to the Board secretariat. However, from the documents made available, it could not be assessed whether inputs, if any, provided by constituents formed part of the Board's meeting agenda. One of the departments informed its constituent member that no materials had been provided prior to the meeting; all updates were provided orally. Another department wrote to the Department of Management Strategy, Policy and Compliance on 11 June 2019, asking if there was an agenda that could be shared for the meeting on 14 June 2019. This highlighted the need for better documentation and communication of procedures governing the Board.

215. The Board noted the following status of some action points for Management Client Board meetings held between January and June 2019:

(a) The issue of resource reallocation had been flagged by one of the members. It was stated that a shift in roles and responsibilities from Headquarters to the field must be reflected in forthcoming budget formulation processes and that, without a shift in resources from the Headquarters entities that had previously administered those functions to the field entities that now took on the role, missions would not be able to provide the level of service required. The Board was informed that the Administration had made a commitment, in the ninth progress report on accountability (A/74/658), to addressing that topic by reviewing the changes in workload and responsibilities resulting from the enhanced delegation of authority;

[2] Headquarters departments, Headquarters departments (field-focused), corporate service departments, large and medium peace operations representatives, small peace operations representatives, political and regional operations representatives, regional economic commission representatives, offices away from Headquarters representatives and representative of the resident coordinator system.

(b) Providing feedback on policies and administrative issuances was among the primary focus areas of the Management Client Board. In line with its terms of reference, the Board's secretariat is responsible for ensuring that the Board is kept informed of the implementation of policy and any relevant emerging issues identified within the departments. The Board noted that no item on the ongoing policy review and simplification process had been included in the agenda or action points of the Board meetings held in January, March or June 2019. It was only in the meeting held in October 2019 that policy issues were included in the agenda and action points had been drawn up. As such, in three of four meetings of the Management Client Board in 2019, policy-related issues had not been discussed.

216. The Administration acknowledged that the procedures being followed to ensure the timely intake of issues by the Management Client Board had not been fully documented or circulated to members of the Board. It stated that, in March 2020, members had been provided with guidance on the submission of issues for decision by the Board and that, from March 2020, members were being informed well in advance of Board meetings and input on the agenda was sought, and the Board secretariat would continue to do so. The Administration provided examples of agenda items received from members for meetings of the Board, in particular the ones held from December 2019 onwards, and stated that agenda items were provided to members prior to each meeting and that written materials were also provided in advance where necessary. The Board noted the update provided by the Administration. However, the Board also noted that the procedures being followed to ensure the timely intake of issues by the Management Client Board had not yet been documented or circulated to the members of the Board; the guidance circulated being a template for preparing proposals.

217. The Administration acknowledged the importance of the role of the Management Client Board in policy development and stated that the Department of Management Strategy, Policy and Compliance had initiated that engagement by convening, in the first quarter of 2020, a working-level group comprising staff nominated by Board members from within their constituencies to look in detail at the delegation of authority policy. It added that the lessons learned from that exercise would inform how other policies might be reviewed through the Board.

218. **The Board recommends that the Administration develop and document formal procedures for the timely intake of issues by the Management Client Board and strengthen mechanisms and channels so that the members of the Board receive input from their constituents, to make the Board an effective feedback and consultation mechanism.**

219. The Administration accepted the recommendation and stated that, to address the gap and as part of the management reform, the Department of Management Strategy, Policy and Compliance had launched the strategic policy priorities as described in its "policy reset" proposal, in which the Management Client Board had been established. It stated that the Board played a vital role in the prioritization and conceptualization of policies that were deemed strategic and created the most transformative value to the Organization. Further, the Department of Operational Support would review its standard operating procedures on client relations management to ensure that the role of the Human Resources Services Division in support of the human resources business partners and managers pertaining to informal and formal conflict resolution was clear. The Administration stated that the formal procedure would be presented at the Management Client Board meeting to be held in September 2020.

220. **The Board also recommends that the Administration implement a mechanism for transparently assigning deadlines, focal points and the**

transparent monitoring of the implementation of actions related to decisions on the issues and concerns raised by the members of the Management Client Board.

221. The Administration accepted the recommendation.

Delegation of authority

222. As one part of the management reform, a new framework for the delegation of authority was outlined in Secretary-General's bulletin ST/SGB/2019/2. In accordance with that framework, all previous delegations of authority were rescinded and new delegations were assigned. The transition period ended on 30 June 2019. All authorities were delegated in an online delegation of authority portal.

Scope of the framework

223. The Board noted that the framework did not qualify the entities that fell under it and that a list of all entities was not included. The Board found that entities listed in the United Nations system chart with a similar governance structure were treated differently under the new delegation of authority framework. For example, while one of the research and training institutes, the United Nations Interregional Crime and Justice Research Institute, had received a new delegation, the other, the United Nations Research Institute for Social Development, had not received a delegation. Furthermore, the Board was informed that it was unclear whether the United Nations Research Institute for Social Development was a separate "entity" within the delegation of authority framework or whether it should receive a subdelegation from the United Nations Office at Geneva.

224. Some of the entities that had received delegations of authority on behalf of the Secretary-General before the issuance of the bulletin, such as the United Nations Convention to Combat Desertification in Those Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa, and the United Nations Framework Convention on Climate Change, were excluded from the new framework. The Board noted that those two conventions were not shown in the United Nations system chart.

225. The Board was informed that the Department of Management Strategy, Policy and Compliance had consulted the Office of Legal Affairs to clarify the status of certain entities, for example the United Nations Research Institute for Social Development.

226. The Board holds that it is unclear which entities are included in and excluded from the framework and whether excluded entities still require a delegation from the Secretary-General. Furthermore, it is unclear how an "entity" is defined and which minimum criteria an entity has to fulfil. The Board appreciates that the Department of Management Strategy, Policy and Compliance is liaising with the Office of Legal Affairs and with entities whose status is unclear to review the relationship of those entities with the Secretariat. The Board considers it crucial that entities have clarity on their authorities.

227. **The Board recommends that the Administration define criteria for what constitutes an entity and clarify which entities are included in the delegation of authority framework as contained in Secretary-General's bulletin ST/SGB/2019/2.**

228. The Administration accepted the recommendation and stated that the Department of Management Strategy, Policy and Compliance was undertaking an exercise to clearly define the concept of "entity" and produce a guideline to accompany ST/SGB/2019/2.

229. **The Board also recommends that the Administration review the delegations of authority that the Secretary-General issued to entities excluded from the framework in a time-bound manner.**

230. The Administration accepted the recommendation and stated that the Department of Management Strategy, Policy and Compliance was carrying out a review exercise, in consultation with the relevant stakeholders and the Office of Legal Affairs.

Scope of the delegation of authority

231. The Board noted that, for each authority delegated and subdelegated within the portal, the resources for which the authority was delegated were not further specified or visible. The portal contained reference to the delegation instruments. The delegation instruments are standardized documents that specify authorities and their prerequisites delegated to heads of entities in the four functional areas of human resources, finance and budget, property management and procurement. The instruments also did not specify the resources for which authority was delegated.

232. In the area of budget and finance, resources could be parts of the regular budget (fascicles) and/or extrabudgetary resources or separate trust funds. For example, should the United Nations Research Institute for Social Development fall within the scope of the United Nations Office at Geneva, the delegation issued to the Office should clarify the resources of the Institute over which the head of the Office has the authority.

233. Furthermore, the Board noted that, for transactions performed by service centres for clients, no delegation of authority was required from either the Secretary-General or the client. Rather, the Secretariat considered the delegations and subdelegations of service provider staff to extend in order to act on behalf of the entities supported. Those delegations were not documented in the portal. The Board made similar observations for the peacekeeping operations (A/74/5 (Vol. II), para. 193).

234. The Board recalls that the General Assembly, in paragraph 11 of its resolution 72/266 B, requested the Secretary-General to continue to develop a clear, simple and transparent system for delegating authority. The Board holds that the scope of resources for which authority is delegated needs to be clearly defined. Currently, this information is not transparently documented. Criteria to define the scope could be budget fascicles or budget sections or by categories employed in Umoja such as functional or business areas or funds centres.

235. The Administration stated that it normally used funds and cost centres only in the finance functional area to define the scope of resources over which authorities were delegated. In the Administration's view, a similar approach could not be applied in other functional areas. Accordingly, the Administration proposed limiting the scope of the recommendation to the transparency of delegated authorities in the finance functional area.

236. The Board takes note of the comments of the Administration. The Board emphasizes the need for transparently delegating authorities in all functional areas. Other criteria such as supply chain master data or human resources master data might be the correct ones for the other functional areas of the delegations.

237. **The Board recommends that the Administration explore how to specify and document the resources for which authority is delegated and subdelegated.**

238. The Administration stated that linking authorities to resources and source of funding would create additional complexity in the decentralization process brought about by the management reform. It would be cumbersome and bureaucratic to have to modify the delegation of authority to heads of entities and the subsequent

subdelegations each time a new fund, cost centre, physical storage location, etc. was created or eliminated.

239. The Board considers it crucial that, for each authority delegated, the scope of the authority be clearly specified. The Administration should assess how to specify the resources transparently. As the Administration pointed out, funds and cost centres may not be most suitable for all areas.

Capacity assessment of entities for delegation of authority

240. In line with the report of the Secretary-General (A/72/492/Add.2), specific delegation portfolios were to be tailored to each entity based on its capacity and capability to exercise delegations in an accountable manner. In his seventh progress report on the accountability system (A/72/773), the Secretary-General also made it clear that the scope of delegation of the Secretary-General's authority to senior managers would not be a blanket delegation of authority, but rather would be done on the basis of careful consideration of the capacity of the managers to receive such authority and their ability to properly execute it. A list of the authorities that a head of entity may receive, depending on the capacity of the entity to receive and implement the delegations in a responsible and effective manner, is annexed to the Secretary-General's bulletin on delegation of authority (ST/SGB/2019/2). According to the standard operating procedure for the issuance of delegation of authority, levels of delegation will align with an entity's capacity and needs; and the initial issuance of delegation of authority will be pursuant to an assessment of need and capacity and shall include both quantitative and qualitative indicators largely to be self-reported by the entities, followed by a desk review that may include spot checks and interviews.

241. The Board noticed that the assessment of capacity conducted in 2018 had been largely based only on desk reviews and that the capacity review team had not conducted any spot checks or interviews. In 35 of 93 entities, even the questionnaire had not been completed, and capacity was assessed based on knowledge of the entity. Further, the questionnaire on internal controls was designed to elicit only a "yes" or "no" response with regard to whether the heads of entities were aware of various frameworks and the policies, procedures, codes and guidelines necessary to perform their job.

242. The capacity review team that evaluated results for 93 entities assessed that 63 entities lacked the internal capacity to execute procurement authority, 51 entities lacked the capacity to execute property management authority and 18 entities did not have the capacity to execute human resources functions. However, it recommended that a highly differentiated system of delegation of authority, in which each head of entity would have specifically tailored delegations in each of the four substantive areas, was largely unnecessary.

243. The Board noted that, after a year of the implementation of the new delegation of authority, the Secretary-General, in his ninth progress report on accountability (A/74/658), had reported that entities that lacked the administrative capacity to implement the existing delegations were already supported by a network of service providers. The Secretary-General, therefore, decided to implement a system in which each head of entity would receive the standard full delegation of decision-making authority regardless of the administrative capacity of the entity. If the appropriate administrative capacity was lacking, the assigned service provider would implement the decisions on behalf of the head of entity. The Board noted that that was not in line with ST/SGB/2019/2, in which delegation of authority was provided for depending upon the capacity of the entity to implement it in a responsible and effective manner.

244. The Board also noted the need to assess the capacity of the service providers to see whether they could handle the possible increased workload following the enhanced delegation of authority. This assumes significance in view of the large

number of entities requiring the support of primary service providers in executing decisions on behalf of the head of entities.

245. The Administration informed the Board that, at the time of drafting the report on implementing a new management architecture (A/72/492/Add.2), the intention was to determine the degree of delegated authority on the basis of a capacity assessment of entities. However, in the course of conducting the capacity review and drafting the delegation of authority instrument, the Secretariat had come to realize that a standardized set of delegations would not only be more aligned with the principle of empowerment of managers but would also be much easier to manage and monitor. As such, instead of differentiating the degree of delegation based on capacity, the Secretariat shifted to an approach in which all heads of entities had the same set of delegations, but would be provided additional support, through designated service providers, if they lacked sufficient in-house capacity to support decision-making under delegated authority or to perform the related transactional processes to execute such decisions.

246. The Administration further informed the Board that the landscape of service provider arrangements had already been in place before 1 January 2019 and that no significant changes to the transactional workload of service providers had taken place with the roll-out of the new delegation framework. In the hypothetical scenario in which a service provider was unable to adequately support a client entity in an assigned function, a different service provider would be assigned; therefore, it was not deemed necessary to conduct a new assessment of capacities in entities, including service providers.

247. The Board noted the response of the Administration. The Board also noted the discrepancy in the procedure laid down in the Secretary-General's bulletin and the actual procedure followed for delegation of authority and is concerned about the differences in understanding and interpretation that may result from it. The Administration informed the Board that the actual procedure would be made clear in a revised Secretary-General's bulletin on delegation of authority, which was being drafted.

248. The Board also noted that the Secretary-General, in his ninth progress report on accountability, had stated that reviewing the changes in workload and responsibilities resulting from the enhanced delegation of authority was one of the challenges to be addressed going forward. The Board noted that a review in that regard had not been initiated.

249. **The Board recommends that the Administration expedite the revision of the Secretary-General's bulletin issued for the purpose of decentralizing decision-making to align it with the procedure followed for delegation of authority.**

250. The Administration accepted the recommendation and stated that consultations on the revision of the Secretary-General's bulletin were under way; the revised version would provide clarity and reflect the actual procedure followed.

251. **The Board also recommends that the Administration review the changes in workload and responsibilities resulting from the enhanced delegation of authority across the Organization at the earliest to better inform policy on delegation of authority and also for resource planning.**

252. The Administration accepted the recommendation.

Delegation of authority portal

253. In line with the Secretary-General's bulletin (ST/SGB/2019/2), all delegations of authority, including any limitations, were to be issued and managed through an online portal. A transition period was allowed for full implementation of the delegation of authority from 1 January to 30 June 2019. The new set of delegation of

authorities were to be fully effective from 1 July 2019. The authorities delegated were to be clearly stated and accepted by both the delegator and the delegatee, including that such delegation may be suspended, amended or revoked. The delegator enters the details of the delegatee, the nature of delegation, the validity for the delegation or subdelegation and the threshold limit for the subdelegation, which is then accepted or rejected by the delegatee.

254. The Board noted the following issues from an analysis of the delegation of authority portal data as at 31 January 2020:

(a) As at 31 January 2020, 54 delegations were awaiting acceptance; 23 of those cases had been pending for periods ranging from 51 days to 285 days. The Board noted that no timeline was set for subdelegations to remain in the "awaiting acceptance" stage. The Administration informed the Board that, in February 2020, after the issue was pointed out by the Board, it had implemented a maintenance procedure of deleting subdelegations awaiting acceptance for more than 60 days;

(b) In 1,017 of 5,156 accepted delegations, the delegator had specified the approval amount for delegation in the delegation of authority portal. In 201 of those 1,017 delegation requests, the approval amount was equal to or more than $1,000 million, which included two delegations with an amount of $1,000 billion and five delegations with an amount of $10,000 million. This indicated that there was no validation check on entering the amounts in the approval amount, which also diluted the purpose behind limiting the approval amount. The Administration stated that, on 10 August 2019, an "unlimited approval amount" checkbox had been introduced, with "unlimited" meaning $999,999,999. If more than that amount was entered in the "approval amount limit" field, a pop-up message would advise the user to change the amount entered. The Board noted that existing delegations with amounts higher than the limit had not been modified. Further, the rationale for an unlimited approval amount in the delegation of authority portal was not clear, as this exceeded the maximum financial ceiling for delegated powers, such as in the case of procurement;

(c) In line with the delegation of authority portal user guide, the "valid to" date for the delegation should be a confirmed or anticipated end-of-assignment date. If unknown, the delegator may decide to set it at the end of the current calendar or budget year, or one or two years in the future. The Board noticed that the validity in 72 delegation of authority requests was more than 50 years; 66 requests were between 20 years and 50 years; and 555 requests were between 5 and 20 years. A validity of delegation of authority for such a long duration is liable to be misused. The Administration stated that the decision on the duration of subdelegations rested with the head of entity. As there was no link to Umoja, the appointment end date could not be derived from the portal. In order to further support entities, an enhancement is planned in the near future to limit the end of the validity period to not more than five years;

(d) The delegation of authority portal did not have a mechanism to clearly display delegations of authority restored after suspension and delegations of authority reissued following revocation. The Board is of the view that flagging such cases may be necessary for monitoring the recurrence of reasons leading to suspensions or revocations. The Administration stated that it would start monitoring suspended or revoked subdelegations on a regular basis at the end of April 2020, to identify any trends and address any root causes as necessary. It also indicated that it would assess whether a new status of "restored" would prove useful to identify subdelegations that had been previously suspended;

(e) The delegator can revoke or suspend the delegation of authority. The Board noted that there were 1,055 revoked or suspended cases in the delegation of authority portal as of 31 January 2020. In 616 of those cases, the "revoked by" column in the delegation of authority portal had been left blank. The Board also noted that there was no mechanism to ensure that the delegation of authority had been suspended or revoked by the delegator who had issued the delegation, the entity portal administrator or the Business Transformation and Accountability Division. The Administration stated that, for the next round of enhancements, in 2020, it was being considered that only the delegator who had issued the delegation, the entity portal administrator or the Business Transformation and Accountability Division could revoke a delegation;

(f) Out of 1,055 revoked or suspended cases, the reason for suspension was not recorded in the "Rev/Suspend comments" or "Rev/Suspend reason" fields in three suspended cases. The Administration stated that the issue had been resolved and that the field "Rev/Suspend reason" (mandatory when revoking or suspending a delegation) had been added as an enhancement in 2019. It added that, prior to the enhancement, completing only the "Rev/Suspend comments" had been mandatory and, as a result of the enhancement, all subdelegations suspended or revoked would now include a reason in the corresponding field. The Board, however, noted that the "Rev/Suspend reason" field was blank in the delegation of authority portal as at 15 April 2020 in respect of a delegation revoked on 14 February 2020. The Administration informed the Board that a review of the code of the portal had been carried out following the findings of the Board. One programming bug had been identified that had been responsible for that incorrect record, resulting from a revocation of delegation of authority on 14 February 2020. The fix for the issue had been tested and would be available in July 2020;

(g) An input was received in the Management Client Board meeting in March 2019 to the effect that the portal could be enhanced to subdelegate specific responsibilities by standardizing the applicable rules (to exercise authority) in a drop-down menu with check boxes. Including check boxes for subdelegations where maximum amounts based on levels were involved was also suggested. The Board noticed that those user-friendly enhancements were yet to be incorporated into the delegation of authority portal. The Administration stated that it would incorporate changes to the portal to address the issue.

255. The Board further noted that an entity that was excluded from the framework (see para. 221 above) could not use the delegation of authority portal for their subdelegations. However, the staff members of those entities received the bank signatory authority centrally from the United Nations Secretariat through the delegation of authority portal.

256. The Board considers it inconsistent to delegate the bank signatory authority centrally through the delegation of authority portal without permitting its use for those entities excluded, under Secretary-General's bulletin ST/SGB/2019/2, from the tool that has already been developed. The Board holds that it is important to track the acceptance by the delegatees of all delegations issued. The entities would need resources to develop their own delegation of authority monitoring tool while a central tool is available. The Board has highlighted the issue in detail in its report on the financial statements of the United Nations Framework Convention on Climate Change.

257. **The Board recommends that the Administration undertake a comprehensive exercise to identify the enhancements for the delegation of authority portal to incorporate more checks to make it more robust, transparent, user-friendly and useful for monitoring.**

258. The Administration agreed with the recommendation and stated that the Department of Management Strategy, Policy and Compliance had resumed implementing enhancements and fixes to the portal following the upgrade of the underlying system.

Monitoring of delegation of authority

259. According to the report of the Secretary-General (A/72/492/Add.2), the team responsible for managing the delegation of authority would monitor the use of delegated authority on an ongoing basis to ensure that managers and staff manage and balance operational and managerial risk, complying with regulations and rules and using delegations effectively as they implemented their mandates. Procedures for monitoring and oversight of the authority delegated, as well as criteria for the withdrawal of the delegated authority and other corrective actions, were to be developed and lessons learned from the monitoring efforts were to inform future decision-making and policy revisions. The team was also required to prepare and implement an internal monitoring schedule to monitor the segregation of duties across all the functional areas within the Organization to ensure that the required degree of internal control was maintained.

260. The Board noticed that the criteria for the withdrawal of the delegated authority and other corrective actions had not been developed, despite the new delegation of authority being implemented 15 months previously. The Administration informed the Board that the criteria were under development and that, as monitoring activities steadily developed, a range of remedial actions available and appropriate in case of non-compliance was being formulated.

261. The Board also noticed that the internal monitoring schedule was yet to be fixed. The Administration informed the Board that an internal monitoring schedule was in an advanced phase of development, building on the first comprehensive review of the delegations issued in the portal. After completion of the initial comprehensive review, it was planned that, in the future, the monitoring of segregation of duties in all entities would be done four to six times a year.

262. The Board is of the view that the early development of criteria will provide an objective assessment for the withdrawal of delegated authority, as well as other corrective actions that may be required. Further, the early preparation and implementation of an internal schedule for monitoring the segregation of duties across all functional areas would be key to ensuring that the required degree of internal control is maintained, particularly during the early stages of reform.

263. **The Board recommends that the Administration expedite the development of criteria for the withdrawal of delegated authority and other corrective actions, prepare and implement an internal schedule for monitoring segregation of duties and develop a mechanism for identifying and documenting the lessons learned, for further improvement.**

264. The Administration accepted the recommendation.

Delegation of authority and Umoja roles mapping

265. In the communication dated 7 August 2019 from the Business Transformation and Accountability Division on the alignment of subdelegations with Umoja roles, it was stated that, while the Division would monitor subdelegations in the portal to check that they matched Umoja roles requiring a delegation of authority, the security liaison officers and portal administrators, as the first line of defence, were required to ensure compliance. It was also mentioned that a copy of the email notification with the accepted delegation must be attached by the security liaison officer to the user access provisioning request when delegation was required for the role.

266. To review the mapping of role identification in Umoja against the delegation of authority portal, data in Umoja were downloaded and compared with the delegation of authority portal data as at 31 January 2020. The Board noted the following:

(a) A total of 1,755 user identifications were provisioned Umoja roles without the required delegation of authority. They included 52 user identifications in nine closed entities; 650 user identifications had been given role identifications in Umoja without the required human resources delegation in the delegation of authority portal and 99 user identifications had been given Umoja roles without the required procurement delegation in the delegation of authority portal. The Business Transformation and Accountability Division stated that it was following up on the Umoja roles for the remaining 954 user identifications. The Administration stated that, for user identifications pertaining to closed entities, the Division would follow up to revoke those roles. The Administration also stated that a robust mechanism for Umoja user access provisioning existed. The Board, however, noticed that Umoja roles continued to be provisioned without the required delegation of authority even after 1 January 2019, and staff continued to hold Umoja roles without the required delegation of authority;

(b) For 607 Unite identifications, Umoja roles were not provisioned, even though they had been issued subdelegations in the delegation of authority portal. The Board was informed that, in 101 of those cases, they did not meet the requirement to exercise procurement delegation; in 90 cases, the staff members no longer worked in the entity or procurement area; and, in the remaining 416 cases, there were other possible reasons, including delegatees yet to complete mandatory Umoja training or delegatees who would never transact in Umoja. The Administration stated that, in cases where the entity did not meet the requirement to exercise procurement delegation or staff members no longer worked in the procurement area or entity, the Business Transformation and Accountability Division would instruct entities to revoke subdelegations as part of their monitoring of delegation of authority. It also stated that it would not be appropriate to revoke all subdelegations without Umoja roles, as there could be valid reasons for them;

(c) Umoja roles were provisioned with the derivation "global" and therefore without any limitation on the scope of the role. This means that the staff member holding the role can technically perform the transactions accompanying the role for all entities using Umoja. The Administration confirmed that, in theory, the global role allowed a staff member to review and/or create documents for the other cost centres or Umoja coding blocks. However, the roles were limited and controlled by cost centres assigned to the entity only. Specifically, the role FA.04 (petty cash custodian) had not been provisioned with the entity-specific derivation, in the case of the United Nations Conference on Trade and Development (UNCTAD). The Administration confirmed that the person with the petty cash custodian role could also access the cash journal and record transactions for the United Nations Office at Geneva. The scope of the entity was therefore not restricted to the entity. The Board highlighted the issue of "global" roles in detail in its ninth progress report on the enterprise resource planning project (A/75/159).

267. Two key documents are important for the administration of Umoja roles: the Umoja roles guide and the security liaison officer workbook. The Board compared the instructions of both documents and identified differing requirements for delegations of authority and for ensuring the segregation of duties. For example, regarding grants management, the role GR.14 requires an approving officer delegation of authority according to the Umoja roles guide, but not according to the security liaison officer workbook.

268. The Board acknowledges that the security liaison officer workbook and the Umoja roles guide were reviewed. Inconsistent stipulations create uncertainty and hamper proper role provisioning. The Board holds that it is paramount that instructions on Umoja role provisioning do not contradict each other.

269. **The Board recommends that the Administration improve the existing mechanism to prevent the granting of Umoja roles without the required delegation of authority and strengthen the mechanism to identify and revoke subdelegations when there are justifications for such revocation.**

270. The Administration did not accept the recommendation and stated that the issue was not that there were some Umoja roles being granted without delegated authority. The real problem was that delegated authority was still being required for Umoja roles that did not require it. The security liaison officer workbook is being revised to align it with the delegation of authority framework. There are currently Umoja roles for which the security liaison officer manual specifies that evidence of delegation of authority is a prerequisite (e.g. human resources partner); this is no longer in line with the new delegation of authority framework. Umoja roles are, in most cases, intrinsically tied to the functions of individual staff members, whereas subdelegation of decision-making authority is discretionary. There are instances in which staff members may have both authority and Umoja roles, but it is the job function, and not the delegation of authority, that is the prerequisite for the granting of Umoja roles.

271. The Board noted that the response was not in line with the previous communications of the Administration on the issue. The Board is of the view that the transactional roles in Umoja enable the relevant users to carry out certain functions and that the administrative authority for carrying out those functions is derived through the delegation of authority. Further, the ability to carry out job functions relating to processes requiring decision-making by an individual staff member would be intrinsically related to the availability of relevant authority for the same. For example, to approve a purchase requisition, the staff member should have the job function and also the administrative authority to approve the purchase requisition and should also have the related transactional role in Umoja to carry out the transaction.

272. **The Board also recommends that the review to revoke Umoja roles granted prior to the inception of the delegation of authority be completed early and that a schedule be prepared to regularly identify and revoke Umoja roles that are no longer required as a result of changes in function or position.**

273. The Administration accepted the recommendation and stated that the issue of staff holding Umoja roles that they should no longer have was an Umoja user access provisioning issue and not a delegation of authority or management reform issue. The Administration also stated that the heads of administration and business partners at each entity should strictly enforce the removal of Umoja roles as part of the normal human resources check-out process when a staff member left a position.

274. The Board acknowledged the explanation provided by the Administration that the responsibility of the first line of defence was to enforce the removal of Umoja roles as part of the human resources process. However, the Board also holds that it is important for the second line of defence to have an overview of whether the system to be performed for an important aspect at the first level is working properly or not.

275. **The Board further recommends that the Administration at UNCTAD request the security team to create an entity-specific derivation for the petty cash custodian role (FA.04).**

276. **The Board recommends that the Administration align the Umoja roles guide and the security liaison officer workbook.**

277. The Administration accepted the recommendations.

Monitoring framework

Key performance indicator framework

278. In his report on shifting the management paradigm in the United Nations (A/72/492), the Secretary-General stated that the delegation of additional authority would go hand in hand with a robust accountability framework. In Secretary-General's bulletin ST/SGB/2019/2, it is provided that the Department of Management Strategy, Policy and Compliance will monitor the use of delegated authority, including through the use of key performance indicators, to ensure that the delegatees are complying with the applicable legal and policy framework and internal controls. The Board noted that an initial set of 16 key performance indicators had been defined in January 2019 but that some of them lacked the targets and benchmarks necessary to measure performance. The Administration stated that the goal was to set targets for all key performance indicators and that it could not have been done comprehensively when the framework was put in place.

279. In his eighth progress report on accountability (A/73/688), the Secretary-General stated that the Business Transformation and Accountability Division would ensure that the monitoring framework continuously improved and adapted to the needs of its users through the addition of new key performance indicators or the discontinuation of existing ones. In its eighth progress report on the accountability system (A/73/800), the Advisory Committee on Administrative and Budgetary Questions, while noting that the accountability framework was still at an initial stage, questioned the relevance of some of the indicators as a measure of progress. In its resolution 73/289, the General Assembly requested the Secretary-General to refine the key performance indicators and to report thereon in his next progress report.

280. The Board noted that, in his ninth progress report on accountability (A/74/658), the Secretary-General had listed the review and adjustment of the initial set of key performance indicators to improve the areas of risk being monitored and to strengthen the accountability of managers as a key challenge to be addressed. The Administration stated that the Business Transformation and Accountability Division was already working on reviewing and expanding the key performance indicators. The Board noted that, in his third progress report on the accountability system in the United Nations Secretariat (A/68/697), the Secretary-General had stated that the Procurement Division developed eight key performance indicators. Further, the standard operating procedures of the Department of Field Support on monitoring of key performance indicators for property management contained a suite of 26 key performance indicators on property management. The Board is of the view that these key performance indicators in different functional areas could be reviewed to enhance the existing suite of key performance indicators. The Administration confirmed that it was considering, inter alia, pre-existing key performance indicators, as appropriate, in the process of expanding the accountability framework.

281. In his ninth report on accountability (A/74/658), the Secretary-General stated that heads of entities would receive periodic reports from the Department of Management Strategy, Policy and Compliance on the exercise of delegated authority, containing summarized information on the 16 key performance indicators. The Board noted that the Business Transformation and Accountability Division had envisaged a quarterly report on the implementation of key performance indicators. So far, however, only one report had been brought out, covering the period January–June 2019. The Administration informed the Board that the key performance indicators report for the third and fourth quarters of 2019 was being finalized. The Board also noted that the management dashboards did not provide the data for all key performance indicators. The Administration confirmed that the initial 16 key performance indicators and those under development were gradually being made

available in the management dashboard, with the goal of having them available in the dashboard by the end of June 2020.

282. **The Board recommends that the Administration complete the review of key performance indicators by the target date to enhance the existing suite of key performance indicators.**

283. **The Board also recommends that the Administration expand the management dashboards to cover all key performance indicators and publish the comprehensive quarterly report on key performance indicators on time so that the report remains relevant.**

284. The Administration accepted the recommendations and stated that the Department of Management Strategy, Policy and Compliance had started the analysis of the initial set of 16 key performance indicators and the development of additional ones. It also stated that the 2019 reports and the 2020 first quarter report were in the management dashboard and that the Department of Management Strategy, Policy and Compliance would publish future quarterly reports shortly after the end of each quarter.

Exceptions to administrative instructions

285. The Secretary-General delegated to the heads of entities the authority to make exceptions to administrative instructions in the area of human resources as of 1 January 2019. The Department of Management Strategy, Policy and Compliance issued guidance on exceptions to administrative instructions in the area of human resources, in which it was prescribed that all such exceptions, including the reasons for them, should be fully documented and reported to the Under-Secretary-General of the Department of Management Strategy, Policy and Compliance within one business day. One of the key performance indicators outlined in the Accountability Framework is on exceptions to the administrative instructions that require entities to report to the Department of Management Strategy, Policy and Compliance within one business day from the date of decision.

286. An exceptions log was created from October 2019, in collaboration with the Office of Information and Communications Technology, to serve as a central repository for all exceptions made and discretionary authority in relation to the administrative instructions. Prior to that, exceptions had been monitored through emails sent by the heads of entities. An analysis report on exceptions was also prepared by the Department of Management Strategy, Policy and Compliance for the period January–June 2019. The Board reviewed the analysis report and exceptions log and noted the following:

(a) In its analysis report, the Department of Management Strategy, Policy and Compliance identified 1,333 exceptions in four categories (temporary appointments exceeding 364 days and 729 days; reduced break-in-service between appointments; special post allowance; and consultant and individual contractor contracts) but only 312 exceptions had been reported from the field entities in those categories for the same period. There were identified instances of underreporting, as well as overreporting of exceptions in the analysis report;

(b) The exceptions log (as at 11 April 2020) showed 1,317 entries. That included 392 entries for which the exception mode was "discretionary". Fourteen entries related to decisions taken prior to 1 January 2019, going as far back as 2010 in one case;

(c) The number of cases indicated as exceptions in the exceptions log that were reported after delays (ranging from one to 356 days) was 744.

287. The Administration stated that recommendations to entities had been reflected in the 2019 human resources analysis report, in which entities had been provided with

guidance on compliance with General Assembly resolutions under each of the exception categories monitored. In some instances, guidance on operational processes had also been provided; the Business Transformation and Accountability Division was working, in collaboration with the Office of Human Resources, on a comprehensive guide to exceptions and discretionary decisions to assist entities. The Business Transformation and Accountability Division continued to bring to the attention of the Human Resources Services Division of the Department of Operational Support areas in which entities needed more detailed operational guidance. It would also continue to discuss with the Human Resources Services Division and with the Office of Human Resources any need for training or operational guidance identified based on data analysis, as well as any resulting policy revisions. The Administration added that several entities had not reported exceptions during the first two quarters of 2019 and that, following the release of the human resources analysis report for the first half of 2019, the reporting of exceptions had steadily increased, and had achieved the desired levels with the launch of the exceptions log in October 2019.

288. The Board noted the response of the Administration. The Board also noted that, of 295 exceptions to administrative instructions recorded after 1 October 2019, there were delays ranging between 2 days and 140 days in the reporting of 156 exceptions. Moreover, the analysis report on exceptions for the period after June 2019 had not yet been published.

289. **The Board recommends that the Administration review the reasons for non-reporting and delays in reporting exceptions, in consultation with field entities, and put in place a mechanism to further facilitate such reporting and verify that all exceptions are reported within the prescribed time.**

290. **The Board also recommends that the Administration prepare and communicate the analysis report on exceptions on a regular basis.**

291. The Administration accepted the recommendations and stated that the Department of Operational Support had already developed a list of guidance materials based on a trend analysis of service requests received from client entities, as well as the analysis by the Department of Management Strategy, Policy and Compliance of data and exception reporting. It informed the Board that the report for the period July–December 2019 had been published in April 2020. It also informed the Board that the Department of Management Strategy, Policy and Compliance had started the analysis of non-reporting or delays in reporting exceptions and would continue to prepare and distribute the exception analysis biannually and that it would ensure its timeliness.

Accountability framework

Evaluation

292. The importance of evaluation has long been enshrined in the United Nations (see ST/SGB/2000/8). The Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation provide the objectives and periodicity of evaluation and the manner of usage of the results of the evaluation. They were updated in 2016 and again in 2018 (ST/SGB/2018/3). In his report on the shifting of the management paradigm (A/72/492/Add.2), the Secretary-General emphasized the need to strengthen evaluation. Accordingly, the Evaluation Section was set up. The deliverables of the Evaluation Section for the year 2019 included the following: finalize, consult, promulgate and promote the Secretariat evaluation policy; develop and promote a self-evaluation toolkit to be used Secretariat-wide; compile and maintain a roster of qualified external evaluation experts; and deliver an introductory course on self-evaluation.

293. The Board was informed that the Secretariat evaluation policy had been sent for Secretariat-wide consultation in the second quarter of 2019 and was still undergoing revisions based on system-wide feedback. The Board was also informed that the new leadership of OIOS had proposed revisions to the draft policy to more comprehensively reflect the role of the Office and that the policy would be finalized in close collaboration with OIOS by the second quarter of 2020.

294. The Board noted that a delay in the finalization of the evaluation policy would further delay the development of a self-evaluation toolkit and the delivery of an introductory course on self-evaluation, both of which were to be completed by the fourth quarter of 2020. The creation of the roster of qualified external evaluation experts had also been delayed. The Board is concerned that these delays will postpone the benefits envisaged by the Secretary-General in his report, which included informed programme planning and reporting on programme performance, better planning and adjustment of activities by the programme managers, increased transparency and quality assurance on programme delivery to Member States. Further, the strengthening of evaluation capacity is integral to the implementation of results-based management and these delays could also delay aspects of the implementation of results-based management in the United Nations Secretariat.

295. **The Board recommends that the Administration expedite the implementation of the workplan priorities for evaluation, including the finalization of the evaluation policy, the development of the self-evaluation toolkit and other related capacity-building measures to avoid further delays in the achievement of deliverables for evaluation that are dependent on these measures.**

296. The Administration accepted the recommendation and stated that the roster of qualified external evaluation experts had been put in place on 31 January 2020 and was being updated monthly. The evaluation focal points of entities were informed of updates through a monthly email and had access to the roster, which was hosted on SharePoint.

Results-based management

297. Results-based management has been under consideration in the United Nations for over a decade. In February 2008, the Secretary-General submitted, pursuant to General Assembly resolution 61/245, a report on results-based management (A/62/701 and A/62/701/Add.1). The definition of results-based management was endorsed by the Assembly in its resolution 63/276. In his second progress report on the accountability system in the United Nations Secretariat (A/67/714), the Secretary-General proposed a conceptual framework for results-based management and a governance structure for its implementation. In his third progress report (A/68/697), the Secretary-General stated that the Secretariat would make every effort to implement the recommendations of the working group on results-based management in a phased manner over two bienniums (2014–2015 and 2016–2017). In his fourth progress report (A/69/676), the Secretary-General did not provide an update on results-based management and, in its resolution 69/272, the Assembly requested the Secretary-General to include, in his subsequent progress report, a detailed plan, with a fixed time frame and clear milestones, for the implementation of results-based management. The Secretary-General did not provide an update on the progress in achieving the timelines in his fifth progress report (A/70/668), and the Assembly reiterated its request in its resolution 70/255. With no reference to results-based management in the sixth progress report (A/71/729), the Assembly, in its resolution 71/283, reiterated its request to the Secretary-General for the inclusion of a detailed plan in the seventh progress report. The Secretary-General presented an action plan for the implementation of results-based management in the Secretariat during the period 2018–2021 in the seventh progress report (A/72/773). The action plan was based on five main actions for strengthening the implementation of results-based management in the Secretariat for 2018–2021, which were further divided

into 14 activities, each with a designated responsible entity and an implementation date. The activities included the development of a manual and an online mandatory training programme on results-based management.

298. In the context of the management reforms, the Secretary-General stated that strengthening the implementation of results-based management would be an important element of the accountability framework (A/72/492/Add.2, para. 61). The Results-Based Management Section in the Business Transformation and Accountability Division was made responsible for mainstreaming the results-based approach and was required to develop, maintain and update standards, policies and procedures for results-based management; coordinate and standardize guidelines and training materials to ensure a cohesive approach to results-based management concepts throughout the Organization; conduct training; and support the implementation of the results-based management action plan.

299. From the assessment of progress in the implementation of results-based management as presented in the ninth progress report on the accountability system, the Board noted that a working group was to be established to help the newly created Results-Based Management section, which was to discuss the first draft of the results-based management manual by March 2020 and prepare the final manual by April 2020. This activity has been delayed: the Administration informed the Board that the first version of the manual would be ready only by the end of 2020 and that it would be further enriched and modified throughout 2021. The Board notes the delay with concern, as the manual would inform the development of other tools and materials, including an online training module, workshops, coaching sessions and communications materials, which would also be delayed. In fact, online mandatory training that had been planned to be developed by the Department of Management Strategy, Policy and Compliance by the second quarter of 2019 is yet to be achieved. The Administration stated that a design for the training programme would be completed by the end of 2020 and that cooperation with the United Nations System Staff College would be explored to develop the programme in the first semester of 2021.

300. The Board noted that workshops to support entities in preparing their annual programme plan were not planned for 2020, even though the Administration had stated that workshops would be held twice a year during 2020 and 2021. The Board considers that a tentative timetable for the workshops to be conducted during 2020 and 2021 would support its monitoring.

301. The Administration stated that implementing results-based management was a change management project that entailed a cultural change and was not merely complying with a list of actions by adhering to a pre-established checklist and dates. The Administration further stated that it was fully committed to the implementation of the action plan and furnished timelines for subactivities under each activity.

302. The Board noted that the timelines, which would have facilitated more objective monitoring, were not included in the ninth progress report on accountability (A/74/658). Considering the past efforts of the Secretariat in mainstreaming results-based management and the dedicated capacity established for results-based management following the reforms, the Board is of the view that further delays in completing identified activities for the implementation of results-based management need to be avoided.

303. **The Board recommends that the Administration ensure adherence to the timelines, as communicated to the Board of Auditors, for the activities prescribed in the action plan for the implementation of results-based management.**

304. **The Board also recommends that the Administration include information on progress in the implementation of the action plan at the subactivity level in the forthcoming reports on accountability.**

305. The Administration accepted the recommendations.

Enterprise risk management

306. The implementation of enterprise risk management has been an ongoing effort in the United Nations for over a decade. In his report on the accountability framework, enterprise risk management and internal control framework, and results-based management framework (A/62/701), the Secretary-General proposed a single framework for enterprise risk management and internal control. Subsequently, in his report entitled "Towards an accountability system in the United Nations Secretariat" (A/64/640) and pursuant to General Assembly resolution 63/276, the Secretary-General presented the outline of a road map and implementation plan for enterprise risk management, to be implemented by 2013. The Secretary-General also, in his report on progress towards an accountability system (A/66/692), gave details of the enterprise risk management and internal control policy. The Management Committee identified six critical Organization-wide risks in 2015 requiring priority in terms of the development of related risk treatment plans. Those risks were presented in the context of the fourth progress report of the Secretary-General on the accountability system (A/69/676). In his seventh progress report (A/72/773), the Secretary-General emphasized the three lines of defence model to improve the risk management systems. In his eighth progress report (A/73/688), the Secretary-General stated that the Business Transformation and Accountability Division would help entities to embed the three lines of defence in the enterprise risk management process at all levels of the Secretariat. The General Assembly, in its resolution 73/289, requested the Secretary-General to report comprehensively on progress made towards embedding risk ownership and risk management in Secretariat entities in his next progress report.

307. The Board had reviewed the implementation of enterprise risk management for its report for 2018 (A/73/5 (Vol. I)) and, in that report, highlighted that enterprise risk assessment had not percolated down fully to the department, office and mission levels, as only 12 departments and 14 missions had conducted risk assessments and prepared draft risk registers.

308. In his report on shifting the management paradigm (A/72/492/Add.2), the Secretary-General highlighted the introduction of the three lines of defence model, which would clarify essential roles and responsibilities for risk management and internal controls within the Organization and improve the effectiveness of the risk management systems. The Board noted that a revised Secretariat-wide risk register had been brought out in October 2019, following consultations with 41 entities, during which 37 risks were identified. A network of over 140 focal points from 82 entities had also been created and a risk management workshop and a capacity-building workshop for focal points had been conducted. A guide for managers had also been brought out, along with a risk catalogue presenting the risk universe and risk definitions. In his ninth progress report (A/74/658), the Secretary-General stated that, following approval of the risk register by the Management Committee, corporate risk owners would be assigned and tasked to develop detailed risk treatment and response plans for the high-priority risks, the implementation of which would be monitored by the Management Committee.

309. The Board noticed that the Secretariat-wide risk register, which was to have been completed by the fourth quarter of 2019, was yet to be approved as of April 2020. The Administration informed the Board that the risk register would be approved and disseminated to all field entities only by July 2020. The Administration further informed the Board that it expected to increase the number of Secretariat entities with updated risk registers and risk treatment and response plans to 57, which represented the entirety of the Secretariat's entities for which the development of formal risk registers and risk treatment and response plans would be meaningful, considering the entities' size, number of staff, mandate and operations, by the end of 2023. However,

the manner in which the Secretariat had arrived at the conclusion that only 57 entities needed to develop formal risk registers and risk treatment and response plans was not shared with the Board. Considering that enterprise risk management implementation has been an ongoing process over the past decade, the Board is of the view that the intermediate steps should be closely monitored if the stated target of 57 entities by the end of 2023 is to be achieved.

310. The Board noted that, in his ninth progress report, the Secretary-General had indicated that embedding the three lines of defence model in enterprise risk management processes at all levels of the Secretariat was ongoing. However, the report did not contain details of the steps taken or planned in that regard. The Board is of the view that the implementation of enterprise risk management in the context of the new management paradigm needs to be strictly monitored. The Administration replied that the process of embedding the three lines of defence model in the enterprise risk management was an ongoing effort, with dissemination and learning as the key elements. The Board notes the response of the Administration but stresses the need to draw up a time-bound programme with defined steps to achieve it.

311. **The Board recommends that the Administration take steps to prioritize the preparation of an updated risk register and risk response and treatment plans in all the entities in the Secretariat and follow a time-bound plan for embedding the three lines of defence model at all levels.**

312. The Administration accepted the recommendation and stated that the completed Secretariat risk register, which included risks to the strategic priorities of the Secretary-General amid the COVID-19 pandemic, was expected to be approved in mid-July 2020. Upon approval and dissemination, Secretariat entities would develop local risk registers.

Benefits management

313. In his report on shifting the management paradigm (A/72/492/Add.2), the Secretary-General laid down specific benefits of establishing the Department of Management Strategy, Policy and Compliance and the Department of Operational Support. While discussing the reports of the Secretary-General, the Advisory Committee on Administrative and Budgetary Questions emphasized the need to establish, at the start of the process, the expected benefits and baseline information, the methods for monitoring, measuring and reporting on progress, and plans for the realization of benefits. The Board noted that a benefits framework, entitled "United to reform: benefits management framework", had been brought out in June 2019. A benefits tracker had also been developed to provide an overview of key improvement initiatives of the United Nations reform. The benefits tracker had not been launched publicly. The Board noted that the Administration had identified 58 benefits for tracking: 12 under the development pillar, 36 under the management pillar and 10 under the peace and security pillar. Those benefits were to be realized between 2019 and 2030 and were to be measured through 149 indicators.

Documentation indicated in the benefits management framework

314. The benefits management framework provided templates and suggested methodologies to help build the benefits management system. The Board was informed that the benefit owners were provided with the templates included in the benefits manual. The Board expected to find documentation of the process by which the benefit owners arrived at their defined benefits using that template. The Board noted that, although benefits had been identified and defined following an iterative process since fall 2018, the actual process of arriving at the benefits using the standard template was not found to be documented.

315. The Administration stated that, since most benefits and initiatives were already defined in the reports of the Secretary-General, the "identify benefits" template from the benefits management framework was only used as a reference. It added that the benefits framework did not require detailed documentation of the initial template to identify benefits; it only was suggested as a tool to help identify and prioritize benefits. The Board is of the view that documentation is essential to understand the process by which benefits are identified.

Identifying benefits arising from the reform process

316. The Board noticed that a number of benefits identified in the benefits tracker as resulting from reforms were largely independent of the reforms. Examples included "Implement the statement on internal control" and "Mainstreaming risk management across the Secretariat", which were initiatives in progress even before the reforms. The Board is of the view that they cannot be identified exclusively with the management reforms.

317. The Administration agreed with the assessment that some changes might have been implemented without reform, but stressed that those changes significantly benefited from and were advanced through the reform and would otherwise not have been achieved in their current state or form. The Administration added that the benefits were not directly from the Secretary-General's reform proposal, but were facilitated and enabled through the instituted reforms. The Board considers that identifying the benefits arising from reforms alone would provide better clarity in assessing the benefits of the reform process.

Current status of the indicators

318. The Board noted that the benefits tracker only indicated the status of indicators as "completed", "on track" or "requires attention". The usefulness of the tracker to the stakeholders would be improved if it also captured the current status of the indicator in physical terms.

319. The Board was informed that certain initiatives might not have current values, as they relied on surveys to measure their indicators. The Board is of the view that surveys, where required and practical, should be conducted at regular intervals and the results recorded, so that progress is followed up more closely. The Administration confirmed that a field on current indicator value would be made public on 1 May 2020. It also agreed that surveys to evaluate benefits should be conducted periodically, where possible.

Baseline definition

320. The Board noticed that the baseline was not clearly defined in respect of certain benefits. Details are given in the paragraphs below.

321. In respect of the benefit, "Enhance and simplify the onboarding process (from job offer to entry on duty)", the baseline is stated to be "N/A". The Board notes that candidates were being onboarded even before the reform process and that the Administration should have the relevant previous data. The Administration stated that the measurement of the onboarding process was complicated owing to the lack of a linkage between the Umoja and Inspira systems, but that it would establish a baseline and target by the third quarter of 2020.

322. In respect of the benefit "Integrate operational support for uniformed capabilities", the baseline in respect of the indicator "Maintenance of reimbursement processing deadlines" has been stated as "Varies". The Board noticed that the baseline was indicated as "Varies by entity" in respect of all the three indicators for the benefit

"Creation of end-to-end supply chain management process". The Administration stated that the Office of Supply Chain Management had been working on a performance management framework that would include a hierarchy of attributes and performance indicators. It was due to be published in 2020, at which point baseline data for additional related indicators would be available. The Administration added that, thereafter, improvements could be measured globally, or across the aforementioned dimensions. However, in some instances, it may be more appropriate to use different baselines for different entities supported by the United Nations Secretariat.

Target definition

323. The Board noted that, in respect of some of the benefits, the target was not defined in quantitative terms to allow for measurement.

324. In respect of the benefit entitled "Mainstreaming the NewWork initiative for organizational culture change and business transformation", two indicators, namely, "Increase in favourable rating of workplace and organizational culture, collaboration and innovation in the staff engagement survey" and "Increase in numbers of staff members engaged in the NewWork organizational change initiative", were identified, with the targets of "Increased percentage" and "Increased number", respectively. The Administration stated that NewWork was a staff-led organizational culture change initiative in which engagement was voluntary and dynamic. It added that quantifying a target was challenging and that it would be in a better place to identify a more defined target as it learned from the initiative as it grew.

325. Against the benefit description "Easy access to policy and guidance for anyone who needs them", the baseline is zero and indicator is "Increase in the usage of the policy portal", with the target defined as "Increased usage". The Administration stated that the policy portal had a wide scope and scale and, as such, quantifying a target was challenging. It added that it was planning to issue a survey to receive feedback from users on satisfaction with the solution and to identify areas for further improvement.

326. In respect of the benefit initiative entitled "Improving United Nations staff skills through professional certification and development programmes", the target for the number of persons completing a finance certification programme was indicated as 93. The Board noted that the target did not have any link with the total number of persons who ought to complete the certification. The Administration explained that it was not feasible to link the metrics of certification training programmes to the entire number of staff. The Board noted the practical difficulties in linking targets with the target population but noted that delinking both could result in a situation in which the Administration achieved the targets but did not achieve the expected outcome of the initiative.

327. The Board appreciates the challenges in quantifying targets but is concerned that identifying targets in vague terms will lead to a situation in which the progress achieved is difficult to measure. The Board considers that all identified benefits should be reviewed to ensure that the target is prescribed in quantitative terms, wherever practicable. The Board has observed, in the context of its audit of peacekeeping operations (A/74/5 (Vol. II)), that the goal of enhancing the effectiveness of operations is of such importance that a mere benefits management tracker is not sufficient. The Board is also of the view that implementation needs to be closely monitored using measurable criteria, indicators and milestones.

328. **The Board recommends that the Administration take steps to capture the status of the indicator in physical terms and also recommends, in cases where the current status is dependent on surveys, that such surveys are conducted periodically, wherever practicable.**

329. **The Board also recommends that the Administration clearly define a baseline in the identified benefits so that the progress achieved can be measured accurately.**

330. The Administration accepted the recommendations and explained the status of action being taken and different challenges being faced in the process.

Human resources

331. In his report on shifting the management paradigm (A/72/492), the Secretary-General stated that an internal review team had been established to examine what needed to be changed to make the Organization more effective and responsive to those it served. The review team identified, inter alia, slow and unresponsive service delivery as a key challenge. The Board reviewed the recruitment process and client relations management in human resources in the context of changes brought in by the management reforms.

Recruitment process

332. In its resolution 65/247, the General Assembly requested the Secretary-General to conduct a comprehensive review of the entire recruitment process to improve the overall response time with a view to realizing the benchmark of 120 days for filling a post. The Board has previously flagged its concerns regarding the targets not being met (see A/69/5 (Vol. I)) and the need for a comprehensive review of the entire recruitment process to measure efficiency. The Board has also highlighted the inability to track the complete recruitment process in the absence of an integrated information technology system.

333. Prior to 1 January 2019, all recruitment cases were reported in the human resources scorecard module of human resources Insight data. Following the reforms, management dashboards maintained by the Department of Management Strategy, Policy and Compliance were implemented (effective 1 February 2019) to help heads of entities and their management teams monitor the use of their delegated authority. The Board noted that the management dashboards did not capture the same level of details available in Insight. The Board was informed that detailed step-by-step reporting on the recruitment timeline, as had been done in Insight, was expected to be made available in 2020 through the management dashboards as part of the United Nations business intelligence project.

334. The Board reviewed the time taken for recruitment through "standard requisition" over 2017 to 2019 and noticed that the time taken for completion of the recruitment process had declined from 280 days in 2017 to 251 days in 2019. However, even with that decline, the time taken was much higher than the target of 120 days. The Board reviewed the recruitment data for standard requisition from a sample of Headquarters entities, departments and offices[3] and field entities,[4] selected from those that had conducted most recruitment during the period 2018–2019, to analyse the duration of significant intermediary stages. It noted that the assessment stage was the stage that took the longest for non-roster recruitments.

[3] Department of Economic and Social Affairs, Department for General Assembly and Conference Management, Economic and Social Commission for Asia and the Pacific, Office for the Coordination of Humanitarian Affairs, Office of the United Nations High Commissioner for Human Rights, United Nations Environment Programme, United Nations Office on Drugs and Crime and United Nations Office at Geneva.

[4] United Nations Assistance Mission in Afghanistan, United Nations Assistance Mission for Iraq, United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic, United Nations Multidimensional Integrated Stabilization Mission in Mali, United Nations Organization Stabilization Mission in the Democratic Republic of the Congo, African Union-United Nations Hybrid Operation in Darfur and United Nations Mission in South Sudan.

Table II.6
Average time taken for significant stages of the recruitment process
(Days)

Stage of recruitment process	*Prescribed timeline*	*Average time taken by Headquarters entities*		*Average time taken by field entities*	
		2018	*2019*	*2018*	*2019*
Job posting	45/30[a]	39	37	25	23
Assessment	48	150	170	331	277
Endorsement	7	8	8	8	9
Selection by the head of department	5	19	28	31	41
Total time taken	**120**	**216**	**243**	**395**	**349**

[a] Paragraph 4.8 of the administrative instruction on the staff selection system (ST/AI/2010/3 and Amend.1–3) stipulates that the deadline for applying for job openings shall normally be: (a) 45 calendar days after posting for position-specific job openings in the Professional and above categories, unless in cases of unanticipated job openings the Office of Human Resources Management or the local human resources office exceptionally approves a 30-day deadline; (b) 30 calendar days after posting for position-specific job openings for peacekeeping operations and special political missions, unless the Department of Field Support exceptionally approves a 15-day deadline if necessary to meet immediate operational requirements.

335. The Board also noted that there was a gap between job opening and job posting dates. In 2019, the gap was more than 20 days in 278 cases, with 227 days taken in one case. At the same time, the average posting period showed a decline. A job posting period of 45 or 30 days or more was allowed in 59 per cent of the cases in Headquarters entities and 65 per cent of the cases in field entities during 2018. This reduced to 56 per cent and 50 per cent, respectively, in 2019. Over the same period, the share of cases with exceptional approval for a shorter posting period increased from 40 per cent (Headquarters entities) and 35 per cent (field entities) in 2018 to 44 per cent and 50 per cent, respectively, in 2019.

336. The Board noted that, following the reforms, an initiative had been launched in January 2019 to reduce recruitment timelines by making recruitment in Inspira faster and easier. That "Quick Wins" initiative was focused on leveraging technology to make the existing recruitment process faster and easier. The Board was informed that recruitment innovation initiatives consisting of three new Inspira functionalities (namely, the job fit questionnaire, the candidate summary and the competency-based interview template) had been introduced in mid-August 2019. The Board reviewed a sample of 266 job openings posted during September and October 2019 for which a selection had been completed for 96 (36 per cent), including 39 non-roster selections, and noted that the average selection time for those cases, following the innovations, was 93 days. However, the recruitment process had not been concluded for 170 job openings (64 per cent) as at 9 March 2020, even after more than 120 days.

337. The Administration stated that, for realizing the 120-day target for recruitment, the authority for selection decisions had been delegated to heads of entities, and compliance with the recruitment timeline was included in the senior manager's compacts. The Administration assured the Board that it would continue to provide operational support and assistance to entities by introducing improvements to the process and tools to enable it to achieve the recruitment timeline target. The Administration stated that the pre-posting phase was not part of recruitment, although it agreed that it was an important component of the workforce planning and reconfirmation of functions process. The Administration informed the Board that standard requisition and position-specific job openings in the field were inherently

more difficult to fill given that they related to instances in which a position could not be filled through a recruit-from-roster job opening. On the other hand, all Headquarters job openings were standard requisitions and therefore reflected a much wider variety of use cases.

338. **The Board recommends that the Administration continue its efforts, including the implementation of innovation initiatives, to realize the target recruitment time of 120 days for filling vacant posts.**

339. The Administration accepted the recommendation and stated that the Department of Operational Support intended to implement all of the recruitment innovations by 31 December 2022 to support the entities in achieving their 120-day recruitment timelines. A separate initiative was under way, focusing on the onboarding process, from selection to the date of reporting for duty, which concluded the process of filling a vacant post. It added that, while the Human Resources Services Division of the Department of Operational Support had the role of facilitating improvements to the process, heads of entities had delegated authority for recruitment and were responsible for ensuring that the tools were utilized and that their entity met the 120-day recruitment timeline.

340. **The Board also recommends that the Administration incorporate all stages of the recruitment process into the planned technology solution for monitoring recruitment timelines, which should also be implemented in a time-bound manner.**

341. The Administration did not agree with the recommendation and stated that pre-posting steps such as classification and translation were excluded as they occurred at different stages and not necessarily right before the job opening was ready to be posted. The pre-posting steps included diverse activities that could start well in advance of a position being vacant and ready to be posted, such as expected retirements and strategic planning as a result of a reorganization. Monitoring those in a timeline would incorrectly inflate the overall statistics and timeline.

342. The Board noted that incorporating all necessary steps into the planned technology solution would not only help to make the solution more comprehensive but would also enable a complete end-to-end picture of the whole process for more effective monitoring and decision-making by senior management.

Inaccurate data within Inspira

343. The Board reviewed the recruitment process at UNCTAD, which is managed within Inspira. It also provides data for measuring recruitment key performance indicators. The Board noted that job openings were not closed in Inspira once an applicant had been selected. In all reviewed cases, the last traceable step in Inspira was the offer in progress. In addition, the decision of the head of entity was not traceable in Inspira even though a status reason index number was available. The Board further found long breaks of more than two years without action in Inspira between completion of the screening by the recruiter and the next step to be taken by the hiring manager. Therefore, the status of the recruitment process was not fully traceable in Inspira and could not be fully analysed. Further, the recruitment key performance indicators were based on incomplete data.

344. The Board considers it necessary that the data in Inspira are accurate for transparency reasons and for a correct measurement of key performance indicators.

345. The Administration took note of the observation on the non-closure of job openings and wished to clarify that there was no business need to close the job openings, from either a technical standpoint, as recruitment timelines were calculated based on time stamps from job posting to selection, or from a policy perspective, as

the same job opening could be used to select multiple candidates should the selected candidate decline the offer or leave the position within one year.

346. The Board does not agree with the comment of the Administration as the same job opening is only supposed to be used if the candidate declines the offer or leaves the position within one year. Therefore, the job opening should be closed in Inspira one year after the date of selection if the candidate remains in the position.

347. **The Board recommends that the Administration at UNCTAD raise the issue of inaccurate data and the closing of job applications within Inspira with the Office of Human Resources in the Department of Management Strategy, Policy and Compliance.**

348. The Administration stated that the Board's characterization of "inaccurate data within Inspira" was not justified by the findings presented, which pertained to incomplete data owing to actions not being taken in the system, rather than inaccuracy of the data. In terms of the tools used to monitor the recruitment process not providing an accurate depiction of performance, the source of that problem was not clear and should be further explored. Based on the information provided, it was not possible to conclude that the source of the problem was inaccurate data in Inspira. The Administration therefore requested the Board to rephrase the characterization of the issue or consider deleting the previous paragraphs from the report.

349. The Board notes that the Administration made this comment without supporting evidence and at a stage that did not allow the Board to analyse it. The Board stresses that its findings, as presented in the paragraphs above, were acknowledged by the Administration in writing on 26 June 2020 as part of the audit process. By its letter dated 26 June 2020, the Administration acknowledged that the recruitment process ended with the selection, and not with the closure of the job opening in Inspira. It agreed that the decision of the head of entity and therefore the selection of the candidate was not traceable in Inspira. The Administration did not provide any rationale as to why it should now contradict its prior comments and reject the Board's findings and recommendation.

Support and advisory functions in human resources management

350. In his report on a comparative assessment of human resources structures (A/73/366), the Secretary-General proposed a dual structure for human resources management, with dedicated capacity and attention to focus on strategic human resources requirements in the Department of Management Strategy, Policy and Compliance and on operational and transactional activities in the Department of Operational Support. The Department of Operational Support, as the primary client-facing department, is focused on direct client services. A three-tier service structure was envisaged, with most requests expected to be addressed at the client level (level 1). Should the client level be unable to resolve the issue, the business partner in the client entity would refer the issue to the Department of Operational Support (level 2). In complex cases or exceptional issues not covered in the policy framework, the Department of Operational Support would escalate the matter to the Department of Management Strategy, Policy and Compliance (level 3) for a decision.

351. The Board noted that, to deliver an advisory service, an interim client relations management system had been created. The client relations management platform rolled out on 1 January 2019 was Excel-based. An improved interim platform on SharePoint had been implemented on 1 July 2019, although it continued to rely on a relatively high level of manual input and was limited to internal use. The Board was informed that the Human Resources Services Division was currently engaged in a project in consultation with the Office of Information and Communications Technology to develop an enhanced automated client relations management system. The Board noted that, although the level 2 advisory role was expected to be a primary

function of the Department of Operational Support as of 1 January 2019, a robust information technology-enabled system was not yet in place to deliver advisory services. The Administration stated that, when there was a specific need, procedures and capacity were in place to address urgent matters, for example in the COVID-19 environment. It also stated that the Human Resources Services Division had taken further measures to improve its services by developing an action plan, including an enhanced focus on guidance development.

Response time for requests

352. The standard operating procedure for client relations management stipulated five categories of complexities in queries and requests received for response. A standard key performance indicator of five working days, including vetting, was planned for the completion of requests. The Board reviewed the client relations management log for the period January–June 2019 and noted that the average response time was 5.47 days. However, the response times in higher-complexity cases were much longer.

353. The Board was informed that, in line with Client Relations Management Unit calculations, the average response time was 5.02 working days.

354. The Client Relations Management Unit was to assign the request within one business day and send an acknowledgement email to the requesting entity, copying the assigned adviser, with the ticket number. The Board noticed that, of 1,691 queries and requests received, acknowledgement in respect of 195 requests was sent late (including for 74 requests received between a Monday and a Thursday). Further, in respect of 87 cases, the "log date" recorded was later than that of the requested "complete date", raising concern over the data integrity of the interim client relations management system.

355. The Board was informed that, during the period January–June 2019, 34 specific policy clarification queries had resulted in consultation with the Department of Management Strategy, Policy and Compliance. Of those, the "Date information requested" from the Department in respect of six queries was not mentioned. Moreover, the Department of Operational Support took more than four days in referring 10 queries to the Department of Management Strategy, Policy and Compliance for necessary policy clarification, while another 5 queries had been pending for longer (2 since January and 1 each from February, April and May 2019) with the Department of Management Strategy, Policy and Compliance. For the remaining 23 queries, the Department of Management Strategy, Policy and Compliance took between zero and five days, six and ten days and more than ten days in responding to the 10, 7 and 6 queries, respectively. Further, it took more than 20 days in responding to four queries, with the longest response time being 50 days.

Client satisfaction

356. A client satisfaction survey was conducted by the Operational Support and Advisory Service of the Department of Operational Support to assess the delivery of advisory services to entities. The Board was informed that the survey had been sent to approximately 700 clients and that the response rate had been 18 per cent. The survey results indicated that the overall satisfaction rate was 76 per cent, against the target of 75 per cent, and 10 per cent of the respondents were dissatisfied; 83 per cent were satisfied with the quality of advice, while 11 per cent were dissatisfied; 77 per cent were satisfied with the timelines of the service, while 13 per cent were dissatisfied; and 33 per cent of the respondents stated that they had not received formal guidance material in the form of process guides, presentations, etc. from the Operational Support and Advisory Service during 2019. The Board noted that the client satisfaction survey had not asked the respondents to compare or rate the new generic email account-based

system with the pre-2019 system of direct client-service provider contact. It had also not sought suggestions on measures to improve service delivery.

357. The Administration informed the Board that many of the client entities had not benefited from the former Department of Field Support model. The Human Resources Services Division had developed an action plan that included prioritization of client outreach; input from service providers and client entities was an integral part in the development of an enhanced client relations management.

Functioning of the tiered model for the delivery of human resources advice

358. The Board was informed that, during the period January–December 2019, the Office of Human Resources of the Department of Management Strategy, Policy and Compliance had received 289 policy advice requests from New York entities and 116 requests from entities outside of New York and from the United Nations common system. The Board noted that the Office of Human Resources had directly received and responded to 284 of those requests without involving level 2 (the Human Resources Services Division of the Department of Operational Support). Moreover, from the client relations management log for the period of January–June 2019, it was noted that 28 advice requests had been made by the Department of Management Strategy, Policy and Compliance to the Department of Operational Support on behalf of other entities. The Board noted that, in the above instances, the tiered model for the delivery of human resources advice had not been followed. The Board is of the view that such a dual approach to resolving requests may create confusion among entities with regard to the roles and responsibilities of the Department of Management Strategy, Policy and Compliance and the Department of Operational Support.

359. The Board noted that, in line with the tiered structure of the request resolution hierarchy, advice requests received from entities by the Human Resources Services Division, as level 2, were being captured in the interim client relations management system. The list of advice requests sent by the Department of Operational Support to the Department of Management Strategy, Policy and Compliance as captured in the interim client relations management system and maintained by the Department of Management Strategy, Policy and Compliance (level 3) should therefore match. The Human Resources Services Division informed the Board that, as of July 2019, 34 advice requests had resulted in consultation with the Department of Management Strategy, Policy and Compliance on specific policy clarifications. The Office of Human Resources informed the Board that it had provided advice on 75 requests to the Department of Operational Support over the same period. The mismatch in data raises concerns over the smooth working of the tiered approach of request resolution as envisaged under the dual structure of human resources. It further raises doubts over the data integrity in respect of the maintenance of advice requests.

360. **The Board recommends that the Administration prioritize the implementation of a Secretariat-wide, modern client relations management system to optimally fulfil the service delivery responsibility of the Headquarters support structure.**

361. The Administration accepted the recommendation.

362. **The Board also recommends that the Administration take steps to enhance the capacity of the client relationship management mechanism and formulate standard key performance indicators to better reflect and monitor the timelines for addressing requests.**

363. The Administration accepted the recommendation and stated that the Human Resources Services Division was reviewing its key performance indicators on an ongoing basis to establish baselines and reformulate existing indicators to better reflect the different categories of advisory support, with related complexities and deadlines. It

had also enhanced its capacity to monitor the timelines for addressing requests by developing weekly ageing reports and enhancing the ability to track the status for clients.

364. **The Board further recommends that the Administration obtain detailed feedback and suggestions from client entities while developing an enhanced automated client relations management system.**

365. The Administration accepted the recommendation and stated that, in the context of the Department of Operational Support client management model working group, draft business requirements had been developed for a future and enhanced client relations management system in close consultation with client entities.

366. **The Board recommends that the Administration take steps to maintain the dual structure, distinguishing between policy formulation and advisory support through the tiered structure for receiving requests and rendering advice to entities across the Secretariat and ensure the integrity and completeness of the data on advice requests in the Department of Operational Support and the Department of Management Strategy, Policy and Compliance.**

367. The Administration accepted the recommendation. The Administration also stated that the Department of Operational Support and the Department of Management Strategy, Policy and Compliance were working closely together to implement and maintain the dual structure, distinguishing between policy formulation and advisory support, through strict adherence to the tiered structure for receiving requests and rendering advice to entities across the Secretariat and ensuring the integrity and completeness of the data on advice requests. Both departments met regularly to discuss service requests and consult on anything requiring authoritative policy advice as level 3. The Department of Operational Support also provided operational feedback on all draft policies based on review and trend analysis received. Full implementation of the recommendation, however, would depend on the implementation of a global, fully automated client relations management system, enforcing the single-entry advisory support structure.

Procurement

Procurement capacity

368. In accordance with the delegation instrument, the capacity for exercising procurement authority is considered sufficient when the following elements are in place: access to bid receiving and safeguarding, a tender opening committee, a local committee on contracts and a minimum of two full-time, trained and qualified procurement officials, of which at least one is a procurement officer (minimum P-3 or FS-6 level). Assessment of the capacity is the responsibility of the Department of Management Strategy, Policy and Compliance, in consultation with the Department of Operational Support and the head of entity concerned (as set out in ST/SGB/2019/2).

369. The Board noticed in the assessment of capacity conducted in 2018 (see para. 241 above) that at least six entities had subdelegated procurement authority, even though the Administration had not assessed their capacity in 2018. Furthermore, seven other entities with insufficient procurement capacity pursuant to the questionnaire or self-assessment and one entity with partial capacity had subdelegated procurement authority.

370. The Administration had agreed on specific arrangements with three entities. On an exceptional basis and pending a possible capacity reassessment, the entities were allowed to subdelegate procurement authority to specific non-procurement officials approved by the Department of Operational Support to conduct procurement up to $50,000. However, the Board noted that the subdelegations exceeded the agreed threshold and reached up to $150,000.

371. The Department of Management Strategy, Policy and Compliance stated that the assessment of the capacity of entities was an ongoing process in the context of monitoring activities based on the three lines of defence model. The Department of Management Strategy, Policy and Compliance further stated that it had started to monitor procurement subdelegations using data from Umoja and from the portal.

372. Entities subdelegated procurement authority possibly without having the appropriate procurement capacity. As data readily available through enterprise systems do not provide sufficient information on whether procurement capacity criteria have been met, the Department of Management Strategy, Policy and Compliance cannot make a reliable statement on this matter without addressing all entities. The Board holds that the Administration should review how it can provide assurances that only entities with sufficient capacity subdelegate procurement authority.

373. **The Board recommends that the Administration ensure that it has the information needed to monitor that only entities with sufficient procurement capacity and infrastructure subdelegate procurement authority.**

374. The Administration agreed with the recommendation. The Department of Management Strategy, Policy and Compliance would work with the Department of Operational Support and the Headquarters Committee on Contracts to obtain the relevant information.

Monitoring of delegation of procurement authority

375. The management reform was aimed at, among other things, establishing enhanced reporting and monitoring capabilities to identify any challenges in the administrative processes or in the compliance with regulations and rules.

376. For procurement, the accountability framework defines three key performance indicators to monitor whether the delegated authority is exercised in a transparent, responsible and accountable manner:

(a) The volume and value of stand-alone purchase orders (not derived from a long-term contract) for goods and services in comparison with the volume and value of procurement;

(b) The volume and value of exceptions from competitive bidding (financial rule 105.16 (a) (i) to (ix) and financial rule 105.17), in comparison with the total volume and value of stand-alone purchase orders and contracts;

(c) The volume and value of ex post facto awards.

377. The Board notes that the indicators do not cover the procurement principles as defined in financial regulation 5.12, for instance, best value for money or effective international competition. The indicators measure neither the quality of the procurement activities nor whether entities comply with the legal and policy framework.

378. As the first line of defence, heads of entities are expected to proactively identify and manage risks and implement corrective actions to address and control deficiencies. In the guide for heads of entities for monitoring decision-making under the delegation of authority framework of 1 January 2019, it is stipulated that heads of entities are responsible for reviewing decision-making against the 16 key performance indicators listed in the accountability framework. The Board asked the Department of Operational Support about the first line of defence in the area of procurement. The Department stated that it monitored the subdelegations of procurement authority and the provisioning of Umoja roles for the Department's procurement staff. No action had been taken on the basis of the first key performance indicators report by the Business Transformation and Accountability Division.

379. The Board notes that some activities of the first line of defence are similar to those of the second line of defence by the Business Transformation and Accountability Division, while the objectives of those activities differ in accordance with the three lines of defence model. For example, the second line of defence also reviews subdelegations and Umoja roles. The first and the second lines of defence need assurance that no major weaknesses exist in those areas. However, the reviews are cumbersome. Owing to the lack of adequate tools, the review requires manual consolidation of data.

380. The Board holds that the accountability framework is not yet mature. The procurement key performance indicators do not enable heads of entities to demonstrate that they are exercising their delegated authority in a transparent, responsible and accountable manner. Furthermore, the Board considers it important that the role of the heads of entities as the first line of defence be clarified. The monitoring activities of the first two lines of defence should not duplicate reviews and should leave no gaps.

381. The Administration stated that it was in the process of reviewing and expanding the initial set of indicators. The Administration further stated that the procurement principles set out in financial regulation 5.12 could not be measured in a reliable manner by means of enterprise systems data.

382. The Board agrees that the enterprise systems in place do not provide full information on procurement activities. Therefore, some areas cannot be monitored by means of analytic reports. Consequently, it is important that the Administration analyse what data is needed to ensure comprehensive monitoring. Owing to the administrative workload involved in monitoring, the Board considers it advisable that the Administration provide enhanced tools to facilitate the monitoring.

383. **The Board recommends that the Administration review and expand the key performance indicators in the area of procurement, based on existing data and reporting tools and on new data and reporting tools attainable with adjustments to enterprise systems, to enable heads of entities to demonstrate that they are exercising their delegated authority in a transparent, responsible and accountable manner.**

384. The Administration accepted the recommendation.

Procurement policy and guidance

385. In the area of procurement, the Secretary-General, in his report A/72/492/Add.2, defines the following functions and responsibilities:

(a) The Finance Division of the Department of Management Strategy, Policy and Compliance is responsible for financial policies across the Secretariat. Within the Division, the Financial Policy and Internal Controls Service is responsible for ensuring the proper application of the Financial Regulations and Rules and established policies and procedures relating to procurement and other areas;

(b) The Enabling and Outreach Service of the Department of Operational Support is responsible, among others, for developing operational guidance and best practices on supply chain management for all clients. The Procurement Division is responsible for providing overall advice and guidance on procurement matters.

386. In September 2019, the Department of Operational Support, in consultation with various stakeholders, published the revised Procurement Manual, which is to serve as operational guidance for all staff members involved in any stage of the procurement process by describing procurement processes and procedures. The Board noted that the manual, however, included several mandatory stipulations and also interpreted the Financial Regulations and Rules. For instance, chapter 1.4.2 contains a definition of

fairness, integrity and transparency, and clearly states what the procurement official "must" do.

387. In addition to the manual, the Department of Operational Support has issued standard operating procedures, for example, for processing or managing submissions in response to formal solicitations. The standard operating procedures were issued separately from the Procurement Manual. Furthermore, the Department of Operational Support has issued faxes and memorandums with instructions to entities, for instance, on the new local procurement authority process.

388. As of February 2020, the Department of Management Strategy, Policy and Compliance had not issued or updated any administrative instructions or Secretary-General's bulletins in the area of procurement since the management reform. The Department stated that it was in the process of drafting an administrative instruction on procurement. The Department, together with the Department of Operational Support, had held initial consultations with the Office of Legal Affairs, which had noted that several stipulations were similar to the Procurement Manual and intended to avoid duplication.

389. For procurement officers and requisitioners, it is crucial to understand which stipulations are mandatory and which are only best practices. Currently, the Procurement Manual contains both types, although it states that it provides guidance only. The Board considers it important that the Administration issue policy aspects in the area of procurement and best practices in a clear manner. Furthermore, the Procurement Manual should refer to standard operating procedures so that a comprehensive guidance framework is in place. The Board holds that the Administration should avoid issuing separate memorandums with operational guidance and mandatory processes. If memorandums are issued in exceptional cases, the contents should be incorporated into the policy and guidance framework as soon as possible.

390. The Administration was of the opinion that procurement-related topics could be addressed through different channels, such as memorandums and emails, provided that the information was centrally stored and administered. The Administration has established a knowledge management platform and a policy portal.

391. In cases for which the Administration uses different types of documents for procurement-related topics, the Board holds that the legal quality of the information needs to be clear. Rules, policies and procedures intended for general application may be established only by duly promulgated Secretary-General's bulletins and administrative instructions.

392. **The Board recommends that the Administration make a distinction between operational guidance, to be applied using professional judgment and expertise, and mandatory policies, and issue procurement guidance and policy accordingly.**

393. The Administration accepted the recommendation.

Property management

394. Property management was an area delegated to heads of entities following the management reform. The scope of revised delegation of authority for property management included authority and responsibility for property management, review boards related to property management and sales and disposal of property. The Global Asset Management Policy Service in the Department of Management Strategy, Policy and Compliance was to provide expert advice and guidance on property management and the compliance of financial data with IPSAS and the property management framework.

Monitoring framework

395. The Board noticed that an initial set of two quantitative key performance indicators had been identified for property management in the accountability framework and had been included in the monitoring report by the Business Transformation and Accountability Division. They included prevention of loss through a progressive reduction in the percentage of lost property as compared with the total; and a progressive reduction in the days taken for write-off and disposal from the date the property was identified.

396. The Board also noticed that the Global Asset Management Policy Service had issued strategic guidance on property management, performance monitoring and reporting for 2019, which was mandatory for staff members associated with property management functions in special political missions. This framework included key performance indicators on 25 parameters, with all key performance indicators assigned to large missions and 14 assigned to smaller missions. Heads of entities were to report quarterly progress in key performance indicator targets and also analyse results, identify root causes for variations and implement corrective measures for improvements and report the same to Headquarters. The Board was informed that a limited performance monitoring framework had been rolled out during a training session in September 2019, followed by the issuance, in October 2019, of supplemental financial report instructions for other entities of the United Nations Secretariat, which included seven key performance indicators on the property management parameters of asset accountability and financial reporting.

397. The Board noted that, although the purpose of the accountability framework was to ensure that delegates complied with the applicable legal and policy framework and internal controls, the key performance indicators largely focused on statistics regarding the proportion of lost property and time taken for write-offs and disposals. The Board is of the view that monitoring qualitative parameters, such as expected compared with actual life, slow and non-moving stock ratios, reasons necessitating write-off or disposal and reasons for increases and declines in the percentage of lost property, along with follow-up actions on them, are also important.

398. The Board also noticed that the two quantitative key performance indicators monitored by the Business Transformation and Accountability Division were virtually a subset of the larger set of 25 key performance indicators being monitored on quarterly basis by the Global Asset Management Policy Service, leading to the risk of duplication of efforts within the Department of Management Strategy, Policy and Compliance. The Board also noticed that majority of the key performance indicators monitored by the Service focused on data analysis regarding physical verification and write-off processes, with the exception of some indicators on stock availability and utilizations. Those indicators, although vital for ensuring proper and timely recording and reporting of various business transactions, need to be complemented by qualitative performance indicators.

399. The Business Transformation and Accountability Division stated that the current key performance indicators were an initial set focused on the main compliance aspects of the exercise of delegated authorities and would be reviewed and refined in consultation with subject experts, entities and the Global Asset Management Policy Service to ensure complementarities rather than overlaps. It also stated that the performance management framework, extended to all Secretariat entities for 2020, included dedicated performance indicators for stocktaking and control, life expectancy and obsolescence, surplus management and utilization, effective maintenance and care of equipment, and asset efficiency, which would further facilitate measures for enhancing the stewardship and efficiency of the utilization of property.

400. **The Board recommends that the Administration review, refine and harmonize the accountability framework for monitoring the exercise of delegated decision-making authority with the property management performance assessment framework to prevent duplication and overlap of efforts and to enable the appropriate, timely and effective monitoring of the quantitative as well as qualitative aspects of the management of property, in compliance with the applicable policy framework.**

401. The Administration accepted the recommendation.

Implementation of the monitoring framework

402. The Financial Regulations and Rules of the United Nations provide for the carrying out of physical verification of assets and inventories. The administrative instruction on management of property (ST/AI/2015/4) provides for the regular conduct of physical verification of the property of the Organization to ensure adequate control. Closing instructions also provide for the completion of annual physical verification within Umoja before year end, to ensure the existence and completeness of assets, with supplemental instructions providing for 100 per cent completion of physical verification by November 2019. Differences arising from physical verifications were to be investigated and adjustments posted and reported.

403. The Board noticed the following significant gaps, including the underachievement of most of the key performance indicator targets during 2019:

(a) Offices away from Headquarters, resident coordinator offices and tribunals had physically verified 72 per cent of assets and 33 per cent of non-capitalized equipment;

(b) United Nations Headquarters and the Economic Commission for Latin America and the Caribbean had a backlog of 28 per cent (604 items valuing $24.48 million) and 15 per cent (16 items valuing $0.3 million), respectively, in reconciliation of not-found assets;

(c) The write-off backlog beyond 30 days was 97–100 per cent in all of those entities;

(d) The physical count of inventories was 3 per cent at United Nations Headquarters and 65 per cent in offices away from Headquarters, resident coordinator offices and tribunals. The additional count of high-value materials was just 3 per cent at United Nations Headquarters and 63 per cent in offices away from Headquarters, resident coordinator offices and tribunals;

(e) During physical verifications, 30 per cent of non-capitalized equipment (approximately 8,541 in number) in United Nations Headquarters and 9 per cent in the Economic Commission for Latin America and the Caribbean (235 items) had been depicted as not found.

404. The Administration explained that the lower physical verification of assets was mainly the result of delays in updating records in Umoja. It stated that those non-mission entities had been introduced to the activities through the supplemental closing instructions only during October 2019. The low physical count of inventories was attributed to 2019 being the first year in which non-mission entities of volume I had been required to report all consumables and supplies. The backlog in reconciliation of not-found items at United Nations Headquarters was attributed mainly to Department of Safety and Security items located in geographical locations outside Headquarters and the Board was informed that the Department of Operational Support was working closely with the Department of Safety and Security to establish processes for handling such instances. The write-off backlog at United Nations Headquarters was primarily the result of a lack of understanding of the proper process to initiate disposal, including

the steps for record-keeping in Umoja, and the lack of personnel with the required training and roles to complete the process within each office.

405. The Administration stated that the analysis did not reflect the progress made by the entities following the roll-out of the business intelligence tools for property management and the promulgation of the supplemental closing instructions for the preparation of IPSAS financial reports during 2019. It informed the Board that, in the first quarter of 2020, the backlog of assets marked as not found had been reduced from 604 items valued at $24.48 million to 368 items valued at $10.85 million.

406. The Board noted that the delayed introduction of non-mission entities to those key actions should be seen against the activities being part of normal business activities relating to asset accountability and financial reporting under IPSAS. The Board notes that the proportion of inventory count in Headquarters was very low, at 3 per cent. The Board also noted that reasons for and details of subsequent follow-up for such large numbers of not-found assets and non-capitalized equipment in various entities, apart from Department of Safety and Security assets at Headquarters, had not been given.

407. **The Board recommends that the Administration review and enhance the functionality to capture and report complete actual physical verifications conducted during a year, irrespective of nominal delays in updating the related Umoja records, to enable proper and correct performance reporting and assessments.**

408. **The Board also recommends that the Administration strengthen its monitoring mechanism to follow up on investigations and management actions on missing assets to ensure proper asset accountability and reliable financial reporting of property, plant and equipment and inventories.**

409. **The Board further recommends that the Administration prioritize the timely and proper physical verification of assets and equipment lying with other organizations under service-level agreements.**

410. The Administration accepted the recommendations.

Data inconsistencies in the property management performance report

411. The Board noted data inconsistencies in the property management performance report for 2019 in a test check. The Board noticed that key performance indicator 11, on accountability, monitored the accumulated depreciation of property, plant and equipment items as a percentage of the historical cost of all property, plant and equipment assets to enable the factoring of the diminution of value into the formulation of entities’ strategic priorities and long-term planning activities. However, the historical cost reported in indicator 11 was different from that reported in the financial statements for 13 of 23 entities reporting, with the accumulated depreciation being different for all 23 entities.

412. Key performance indicator 5 monitors the percentage of the capitalized value of outstanding “not found yet” plant and equipment assets for ensuring asset reports at the end of the reporting period to reflect actual holdings. The Board was informed that the scope of analysis for indicator 5 included all active assets as of the reporting date, excluding those undergoing write-off. Key performance indicator 6 monitors the write-off backlog of all plant and equipment assets as of the reporting date. The Board noticed that the capitalized values of all active assets reported in indicator 5 were at variance from the numbers and values contained in the actual physical verification reports submitted by various missions, even after the inclusion of plant and equipment assets undergoing write-off as reported under key performance indicator 6. In 12 of 15 missions for which key performance indicators and physical verification reports were made available, different figures were reported.

413. The Administration stated that the scope of key performance indicators 5 and 11 was not intended to reconcile with the financial statements. Performance monitoring and reporting is a management tool and its objective is to enable entities to take corrective actions for continuous improvement. The performance data are extracted periodically and communicated to the entities in the form of performance reports, along with recommendations for corrective actions. The performance reports are not intended as a financial reporting tool.

414. The Board noted the response of the Administration. The Board, however, holds that, in any organization, the value of properties should have a single source of truth, especially when an enterprise risk management platform is being used. Further, the mainstreaming of IPSAS into the property management business processes and the introduction of a common approach for property management and its financial reporting were two of the three property management priorities for 2019. Moreover, the business need of key performance indicator 5 was to ensure that the asset reports at the end of the reporting period reflected actual holdings. The Board also noted that, for a true and fair assessment of the proportionate diminution in the value of plants and equipment, IPSAS-complaint financial accounts numbers would be a better source.

415. **The Board recommends that the Administration explore reviewing and revalidating the data sources in key performance indicator reports to provide a measurement basis aligned with financial statements, which can also help in mainstreaming IPSAS into the property management business processes and introducing a common approach for property management and its financial reporting.**

416. The Administration accepted the recommendation.

Implementation of delegation of authority in property management

417. Heads of entities were authorized to subdelegate property management authority to qualified United Nations officials, who were also required to complete mandatory United Nations property management training within six months of their acceptance of a subdelegation. The Board noticed from the information provided by the Global Asset Management Policy Service that 39 of 158 staff members (25 per cent) who had accepted the delegation or subdelegation of authority had completed the training by January 2020. The Board also noticed from information provided by the Business Transformation and Accountability Division that 29 of the 310 staff members (9 per cent) who had been delegated property management authorities during 2019 had completed the training as of January 2020. The Board noted that the information supplied by different divisions within the Department of Management Strategy, Policy and Compliance required reconciliation and that both sets of information reflected an extremely low proportion of mandatory training completion. The Board was informed that compliance with mandatory training would be monitored.

418. Heads of entities were required to establish local property survey boards for reviewing applicable cases. The Board noted that details regarding the constitution and functioning of such boards, including their dates of establishment, their composition and reasons for not establishing them, wherever applicable, were not being monitored. The Board was informed that an exercise had been initiated in that regard.

419. **The Board recommends that the Administration strengthen the monitoring of the delegation of authority in property management to ensure the timely completion of all mandatory and required training by staff members delegated and subdelegated with revised authorities and also ensure reconciliation of information regarding the completion of mandatory property management training within the Department of Management Strategy, Policy and Compliance.**

420. **The Board also recommends that the Administration put in place a mechanism for monitoring the creation and composition of local property survey boards.**

421. The Administration accepted the recommendations and stated that the Department of Management Strategy, Policy and Compliance had started the development of the new key performance indicator. It added that no existing policy documents required the Headquarters Property Survey Board secretariat to monitor the composition of the local property survey boards. A new administrative instruction for property management was currently being drafted. The instruction would include the requirement for heads of entities to report the names and functional titles of the members and secretaries of local property survey boards to the Chair of the Headquarters property survey board following their appointment and also to report any changes to the composition of local property survey boards to the Chair of the property survey board for monitoring purposes.

F. Implementation of development reforms

422. A reinvigorated resident coordinator system, led by a strengthened resident coordinator, is at the centre of the repositioned United Nations Development System. With the support of the United Nations Development Programme (UNDP) and several departments and offices of the Secretariat and the transition team for the repositioning of the United Nations development system, an operational transition was made on 1 January 2019 to the reinvigorated resident coordinator system. The Development Coordination Office, a stand-alone coordination office within the Secretariat, assumed managerial and oversight functions of the new resident coordinator system in January 2019. It provides substantive guidance and support to resident coordinators and United Nations country teams. The Development Coordination Office also serves as the secretariat for the United Nations Sustainable Development Group. At the regional level, five Development Coordination Office regional directors and their teams, in Panama, Addis Ababa, Amman, Istanbul, Turkey, and Bangkok, provide resident coordinators with region-specific support.

Financing

Funding of the resident coordinator system

423. In its resolution 72/279, the General Assembly emphasized that adequate, predictable and sustainable funding was essential to deliver a coherent, effective, efficient and accountable response in accordance with national needs and priorities, and in that regard decided to provide funding in line with the report of the Secretary-General on repositioning the United Nations development system (A/72/684-E/2018/7) on an annual basis starting from 1 January 2019, through:

(a) A 1 per cent coordination levy on tightly earmarked third-party non-core contributions to United Nations development-related activities, to be paid at source. The levy was expected to yield between $30 million and $40 million in its first year of operation (2019), growing to between $60 million and $80 million annually in future years;

(b) Doubling the current United Nations Sustainable Development Group cost-sharing arrangement among United Nations development system entities, which was expected to yield $77.5 million in 2019, including the cost-sharing arrangement for entities of the United Nations Secretariat in the amount of $13.6 million;

(c) Voluntary, predictable, multi-year contributions to a dedicated trust fund to support the inception period. The estimated annual requirement from direct voluntary contributions after deducting estimated levy revenue and agency cost-sharing from the resident coordinator system budget was $144 million.

424. On 11 July 2018, pursuant to General Assembly resolution 72/279, the Secretary-General established a special purpose trust fund to receive, consolidate, manage and account for all contributions to and financial transactions of the new resident coordinator system.

425. It was estimated that the reinvigorated system required to meet the ambitions of the 2030 Agenda for Sustainable Development would come at a financial cost of $281 million, with the separation of the functions of the resident coordinator and the UNDP resident representative and enhanced capacity at the global, regional and country levels to drive a more integrated United Nations response on the ground. The status of the resources received from the revenue streams of the special purpose trust fund compared with the targets is shown below.

Table II.7
Status of revenue for 2019
(Millions of United States dollars)

Source	*Revenue targeted for 2019*	*Actual revenue for 2019*	*Cash received for 2019*
Coordination levy	60	30	11.5
Cost-sharing arrangements	77	75	75
Voluntary contributions	144	118	114.5
Total	**281**	**223**	**201**

426. The Board noticed that there was a significant shortfall in the generation of revenue from the coordination levy as compared with the target. The Board was informed that the coordination levy projections had been originally estimated on a base of $8 billion voluntary non-core contributions for development-related activities. They were recalculated in the third quarter of 2019 following operational guidance that introduced a number of exceptions that shrunk the base (exclusion of contributions to an entire country programme, joint programming, programmes less than $100,000, etc.). It was also explained that the United Nations accounting system would make it impossible for the levy contributions to be transferred to the special purpose trust fund before the end of the year, which had also had an effect. Further, operational guidance had agreed to the payment of the contribution levy in tranches rather than upfront as originally intended, which meant that the cash impact of the levy was slower to build up, thereby having an impact on the revenue estimates for both 2019 and 2020. The revised model of projections incorporated those experiences, estimated at $30.50 million in 2020 and $50 million in 2021, against the receipt of the coordination levy.

427. The Board also noticed that, against the target of $77 million, cost-sharing received was $75 million and the outstanding amount of cost-sharing against the United Nations Industrial Development Organization (UNIDO), the World Tourism Organization (UNWTO) and the World Meteorological Organization (WMO) had been written off, being irrecoverable. As such, $2,247,304 was written off for the year 2019. The Board was informed that WMO had intimated its non-participation as a member of the United Nations Sustainable Development Group in 2019; UNWTO had stated that it would not participate in cost-sharing in either 2019 or 2020 and nor would it be a member of the United Nations Sustainable Development Group; and UNIDO had stated that its contributions were lesser and, therefore, the remaining contribution levy receivables could not be paid.

428. In the revised estimates relating to the resident coordinator system for the programme budget for the biennium 2018–2019 (A/73/424), it was stated that a new cost-sharing formula for 2021 onwards would be presented to the Advisory Committee on Administrative and Budgetary Questions, the Fifth Committee and the respective governing bodies of the member entities of the United Nations Sustainable Development Group in 2020. The Board was informed that it would be reviewed as part of a comprehensive review of the reinvigorated resident coordinator system, including its funding arrangement. The review was to be initiated in 2020 and finalized before the end of the seventy-fifth session of the General Assembly.

429. Regarding efforts to diversify the donor base in view of the lack of certainty in the funding of the new system, the Board was informed that outreach was conducted to all Member States listed in the outreach and resource mobilization strategy. The outreach was conducted through emails, meetings, inputs to meetings with government officials, remarks for Member States briefings, and the travel of representatives of permanent Missions and donors.

430. The Board noted that the level of uncertainty in available funding and the visible gaps in resources targeted during the year 2019 for the reinvigorated resident coordinator system had the potential to affect planning and the implementation of the reinvigorated role. The Board is of the view that it would be important to keep identifying more avenues to augment resources to the required level of funding going forward, especially as the costs would also potentially increase as a result of filling the sanctioned posts and increasing operational costs.

431. **The Board recommends that the Administration take steps to address the funding gap issues with the agencies not participating in cost-sharing and encourage them to be part of the United Nations development system.**

432. The Administration agreed with the recommendation and stated that it had already followed up with all 19 entities currently listed as participating in the United Nations Sustainable Development Group cost-sharing agreement. A new member, the International Trade Centre, had come on board, with a contribution equal to that of UNWTO. As a result, the full amount expected from the United Nations Sustainable Development Group cost-sharing arrangement had already been received in the special purpose trust fund.

433. **The Board also recommends that the Administration 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.**

434. The Administration agreed with the recommendation. The Administration stated that it would continue resource mobilization efforts for the reinvigorated resident coordinator system, update its resource mobilization strategy for the special purpose trust fund, take stock of its internal resource mobilization and partnership capacity and restructure to ensure its optimal support to resource-mobilization efforts.

Funding mechanism for the development system

435. In his report on repositioning the United Nations development system (A/72/684-E/2018/7), the Secretary-General suggested that the percentage of core budgets allocated to individual entities across the United Nations development system should increase from the current level of 21.7 per cent of total contributions to at least 30 per cent in the next five years. Also in that report, the Secretary-General proposed an improvement in the quality of earmarked non-core funding, with two specific targets in that regard: (a) doubling inter-agency pooled funds over the next five-year period (from $1.7 billion in 2016 to $3.4 billion by 2023); and (b) increasing entity-

specific thematic funds (from $407 million to $800 million, also by 2023). In its resolution 72/279, the General Assembly welcomed and took note of those proposals.

436. The Board was informed that pooled funds, as a complement to agency-specific funds, had been developed. At the global level, they included the Spotlight Initiative[5] and the Joint Sustainable Development Goal Fund under the reform initiative, both administered through the Multi-Partner Trust Fund Office. The fund secretariat of the Joint Sustainable Development Goal Fund is hosted in the Development Coordination Office in support of mobilizing and channelling non-core funding to incentivize joint United Nations programmes in support of accelerating progress towards achieving the Sustainable Development Goals. At the country level, pooled finance instruments are established by participating United Nations organizations. The Administration stated that the Development Coordination Office and the Multi-Partner Trust Fund Office jointly promoted the use of inter-agency pooled funds to support policy and programme priorities.

437. In his report A/72/684-E/2018/7, the Secretary-General stated that the Joint Fund for the 2030 Agenda was designed to provide the “muscle” for resident coordinators and a new generation of United Nations country teams to help countries deliver on the Sustainable Development Goals. Such pooled funds at the country level, clearly linked to the United Nations Sustainable Development Cooperation Framework, would enable resident coordinators to mobilize the full range of capacities and cross-agency collaboration required to support the achievement of the Goals. The General Assembly, in its resolution 72/279, invited Member States to contribute, on a voluntary basis, to the capitalization of the Joint Fund for the 2030 Agenda at $290 million per annum. The Board noticed that the same target was also included as an indicator of achievement in the programme budget for the Development Coordination Office. The actual annual capitalization of the fund was $148.5 million in donor commitments, of which $110.1 million had been deposited. However, the Board was not provided with the details of efforts made to further augment the funding.

438. **The Board recommends that the Administration continue efforts to encourage contributions, on a voluntary basis, to the capitalization of the Joint Fund at the required levels.**

439. The Administration stated that it would increase outreach at all levels to donors for the Joint Fund and explore private sector partnerships for the capitalization of the Fund.

Human resources of the reinvigorated resident coordinator system

Status of recruitment

440. The Board noticed that, of the 129 resident coordinator posts covering 162 countries, 106 had been filled by the end of December 2019. The remaining resident coordinator posts were in different phases of the recruitment process and yet to be filled. The Board is of the view that it would be important to fill the remaining resident coordinator posts in a time-bound manner so that the leadership at the country level is prepared for working towards the reinvigorated role and objectives of the resident coordinator system.

441. The new Development Coordination Office, regional desks and resident coordinator offices started functioning as of 1 January 2019. The total number of sanctioned posts for that new system was 995. The status of recruitment at the different offices is set out below.

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[5] The Spotlight Initiative was launched to support a comprehensive approach to preventing and responding to violence against women and girls in target countries in innovative and new ways. The Initiative is planned to build on knowledge and lessons learned from past programmes.

Table II.8
Status of recruitment

Office	*Number of sanctioned posts*	*Persons in position*	*Vacancy rate (percentage)*
Development Coordination Office, New York	68	57	16
Regional desks	33	22	33
Resident coordinator offices	894	688	23

442. The Administration stated that it intended to complete the entire recruitment process by June 2020. The Board noted that having the identified skill set and human resources in place at the earliest would enable the reinvigorated resident coordinator system to work optimally towards the intended objectives.

443. **The Board recommends that the Administration expedite the recruitment process of resident coordinators for the remaining countries. The Board also recommends that the recruitment exercise for other positions be completed in a time-bound manner to enable the resident coordinator offices and regional desks to work at optimum capacity.**

444. The Administration accepted the recommendation and stated that it had already expedited the recruitment process of the resident coordinators for countries in which the post was vacant and that new vacancies constantly arose as a result of resident coordinator retirements and reassignments. The Administration stated that, in order to minimize the number of vacancies in future, resident coordinator posts were now advertised at least nine months before the departure date of the current resident coordinator, in line with best practices for succession planning. It further stated that recruitment efforts were under way to complete all recruitment by 30 June 2020, with a few cases that would be completed by the third quarter of the year, owing to the re-advertisement of posts.

Performance appraisal

445. In the report on the Development Coordination Office of the Chair of the United Nations Sustainable Development Group (E/2019/62), it was stated that the resident coordinator and United Nations country team planning and performance management tools were to be reviewed to better streamline and align them with the elements of the reform process that had a bearing on performance management.

446. The Board noticed that there was no permanent system to manage the performance and support the annual performance appraisal process of the resident coordinators. The Board was informed that a transitional performance appraisal system for 2019 and 2020 had been approved by the United Nations Sustainable Development Group and circulated on 16 March 2020. It was also informed that, owing to the unprecedented global health crisis, with its subsequent socioeconomic crisis and its impact in United Nations programme countries, the deadlines for compliance with the 2019 and 2020 performance appraisals had had to be extended.

447. The Board was informed that the development of the permanent system for the performance management of resident coordinators would be directly informed by the lessons learned from the transitional approach. It was estimated that, in the first half of 2021, the permanent system for performance management would be designed, consultations would be held with the United Nations Sustainable Development Group and it would be approved by senior management.

448. **The Board recommends that the Administration expedite the development of a permanent system for the performance management of resident coordinators, which should reflect and be aligned with their revamped role.**

449. The Administration agreed with the recommendation and stated that the development of the policy framework for the performance management of resident coordinators had been initiated. The first step consisted in developing, in collaboration with colleagues from across the United Nations system, the resident coordinator competency framework, which would underpin the new performance management system.

Enabling frameworks

Management and accountability framework

450. The management and accountability framework is a foundational piece in the reinvigoration of the resident coordinator system. It is intended that the framework will provide a clear, unambiguous framework for management and accountability within United Nations country teams to ensure a consistent approach across countries in a way that remains faithful to the letter and spirit of the General Assembly resolution on the repositioning of the United Nations development system. The dual accountability system has been planned to ensure that country representatives remain fully accountable to their respective entities on individual mandates, while periodically reporting to the resident coordinator on their activities and contributions to the results of the United Nations development system towards the achievement of the 2030 Agenda at the country level, on the basis of the United Nations Sustainable Development Cooperation Framework. The management and accountability framework seeks to identify relevant United Nations development system members, their roles, responsibilities and interrelationships and provide an accountability framework to hold members to account, monitor their commitments and establish an informal mechanism for resolving disputes regarding the implementation of the agreements contained in the framework.

451. The country chapter of the management and accountability framework was finalized in April 2019. The Board was informed that, as of April 2020, the regional and global frameworks had not yet been developed, as Member States’ guidance on the review of United Nations regional assets was awaited. It was further informed that Member States would consider the review of United Nations regional assets during the session of the Economic and Social Council to be held in May 2020. Work on the global framework was expected to commence once work on the regional framework had been completed.

452. In his report (A/72/124-E/2018/3), the Secretary-General stated that regional offices of different United Nations entities were scattered in different locations, definitions of regions could differ from one entity to another and coordination at the regional level was suboptimal. This had the consequences of an unclear division of labour at the regional level, with potential overlaps, and suboptimal use of the Organization’s policy capacities on regional priorities. Further, it was noticed that, although system-wide coordination, planning and accountability at the country level were being ensured through the United Nations Sustainable Development Cooperation Framework, there were poor linkages to the regional and the global levels. The Board noted that having a regional and global framework would be helpful for strengthening coordination and bringing clarity with regard to roles and responsibilities among United Nations entities.

453. **The Board recommends that the Administration make efforts to finalize accountability frameworks at the regional and global levels at the earliest to effectively identify relevant United Nations development system members and their roles, responsibilities and interrelationships and provide a comprehensive accountability framework.**

454. The Administration accepted the recommendation and stated that it would proceed in developing the regional- and global-level accountability frameworks, in consultation with United Nations Sustainable Development Group agencies.

United Nations Sustainable Development Cooperation Framework

455. In its resolution 72/279, the General Assembly stated that the United Nations Development Assistance Framework, subsequently renamed the United Nations Sustainable Development Cooperation Framework, was the most important instrument for the planning and implementation of the United Nations development activities in each country in support of the implementation of the 2030 Agenda.

456. The United Nations Sustainable Development Cooperation Framework guides the entire programme cycle, driving planning, implementation, monitoring, reporting and evaluation of collective United Nations support for achieving the 2030 Agenda. It also determines and reflects the United Nations development system's contributions in the country and shapes the configuration of United Nations assets required inside and outside the country. The Cooperation Framework is nationally owned and anchored in national development priorities, the 2030 Agenda and the principles of the Charter of the United Nations. It outlines the United Nations development system's contributions sought by national stakeholders to reach the Sustainable Development Goals in an integrated manner.

457. The United Nations Sustainable Development Cooperation Framework implementation cycle, published by the United Nations Sustainable Development Group, provides the details as currently scheduled for the start of the new cycle in respect of 104 countries, with 37 countries having their new cycle starting from 2021, 39 from 2022 and 28 from 2023.

Common country analysis

458. The internal guidance on the United Nations Sustainable Development Cooperation Framework provides that common country analysis is the United Nations system's independent, impartial, collective assessment and analysis of a country situation for its internal use in developing the Cooperation Framework. It also provides that the common country analysis is not a one-off event and should track situational developments and inform the United Nations system's work on a continuous basis. It should be updated periodically to serve as a current analytical resource and to reduce the time required for formulating a new Cooperation Framework. Every Cooperation Framework starts with a common country analysis and all United Nations country teams are to develop a new common country analysis and update it on a regular basis.

459. The Board was informed that, to support resident coordinators and United Nations country teams in common country analysis and facilitate cooperation between the United Nations Sustainable Development Group member entities, inter-agency networks and resident coordinators and country teams, the Development Coordination Office had developed a common country analysis and United Nations Sustainable Development Cooperation Framework country implementation dashboard that was accessible to United Nations Sustainable Development Group agencies and inter-agency networks and relevant contacts. The Board noticed that the common country analysis of 45 countries based on the 2019 guidance had commenced and had been completed for 34 countries. Those completed included a country with a programme cycle starting in 2019, 10 countries (out of 14 countries) with a programme cycle starting in 2020, 22 countries (out of 37 countries) with a programme cycle starting in 2021 and 1 country (out of 28 countries) with a programme cycle starting in 2023.

460. The Administration stated that only United Nations country teams scheduled to start new programme cycles in 2020 and 2021 had engaged in the process of preparing a United Nations Sustainable Development Cooperation Framework following the completion of common country analyses. Four country teams with programme cycles starting in 2020 had not completed the common country analysis exercise as a decision had been taken, in consultation with the respective Governments, to extend their United Nations Development Assistance Framework programme cycle by an additional year owing to national circumstances. For the 2021 programme cycle, all the remaining 15 countries were expected to complete their common country analysis in the coming months. The Administration also stated that 2020 was the first year in which all country teams, regardless of programme cycle, were expected to update their common country analysis, although, typically, such updates would be done towards the end of the year, ahead of the annual performance review with the Government.

461. **The Board recommends that the Administration continue to engage with the United Nations country teams to ensure the timely formulation of new common country analyses and the updating of existing common country analyses.**

462. The Administration agreed with the recommendation and stated that, at the global and regional levels, in collaboration with regional inter-agency peer support groups, it would continue to provide support to United Nations country teams to ensure the timely formulation of new and updates to existing common country analyses. It would also inform the United Nations Sustainable Development Group principals of any changes to that timeline arising from impacts of the COVID-19 pandemic.

Configuration of United Nations country team capacities

463. The new United Nations Sustainable Development Cooperation Framework represents a set of expectations of the Government, matched with a set of undertakings by the United Nations development system. The Cooperation Framework guidance places emphasis on the configuration of United Nation country team capacities to respond to the agreed priorities of the Cooperation Framework and the needs of the present country context. The configuration exercise enables an examination of the capacities available and needed, and potential synergies to deliver on the Cooperation Framework.

464. The Board noted the efforts of the Development Coordination Office in developing conceptual guidance to articulate the basis for the United Nations development system work in-country, organizing several information sessions through webinars and one-on-one briefings with resident coordinators, resident coordinator offices and United Nations country teams to ensure the internalization of the new guidance. The Board also noted that the Development Coordination Office had organized regional workshops on the United Nations Sustainable Development Cooperation Framework guidance in four regions, bringing together members of the country teams that were to start the development of their new Cooperation Framework cycle. The Administration informed the Board that, to maximize country team capacity on the Cooperation Framework, the Development Coordination Office, together with United Nations System Staff College, had initiated the preparation of an online course that would be accessible to all country teams in mid-2020.

465. The Board noticed that the configuration dialogue had been held in only 10 countries (2 countries each with a programme cycle starting in 2020 and 2023 and 6 countries with a programme cycle starting in 2021). The Administration stated that the configuration step was an entirely new one and, as a result, it required significant engagement with Governments as well as regional and headquarters offices of agencies to ensure common understanding. The Administration assured the Board that, as in the case of the common country analyses, the remaining United Nations

country teams that were preparing their United Nations Sustainable Development Cooperation Frameworks this year would all continue with their preparation processes (subject to exigencies related to COVID-19).

466. Better-disciplined United Nations country teams providing focused support to national priorities were identified as one of the benefits of the development reforms. The Board noticed that the Administration was yet to document the risk areas in the configuration of country teams to achieve the identified benefits. Moreover, further clarity was needed on how the country teams would implement the companion piece guidance[6] on configuration. The Administration accepted the lack of documentation of the risk areas and stated that there had been very active discussions of risks in the inter-agency processes to prepare the companion guidance on configuration. As implementation got under way, the Development Coordination Office had been advising the country teams and regional directors on managing risks in that respect.

467. **The Board recommends that the Administration expedite the development of the online course for the capacity-building of United Nations country teams, which should be complemented with tailored support to country teams, depending on the country context.**

468. The Administration accepted the recommendation and stated that the online course was already in development and was expected to be finalized in July 2020. It would be complemented by technical support from the Development Coordination Office and peer support groups to the United Nations country teams.

Common business services and back-office functions

469. In his report on repositioning the United Nations development system (A/72/684-E/2018/7), the Secretary-General reiterated the commitment to advancing common business operations in United Nations country teams. It was stated in that report that a stronger focus on common business operations could yield substantial savings that could be redeployed to programmes. In addition, it would allow for the better integration of technologies and the application of advanced management practices. That in turn would improve the quality of services provided, in terms of both client satisfaction and compliance with risk metrics and controls. That would allow United Nations entities to focus on their mandates and programmatic functions. The General Assembly, in its resolution 72/279, welcomed measures by the Secretary-General to advance common business operations, where appropriate.

470. The Business Innovations Group was tasked with delivering on the proposals envisioned to maximize programmatic gains through efficient and high-quality back-office operations. In July 2018, the Business Innovations Group established an inter-agency project team to design and pilot concepts and methodologies to advance the Secretary-General's targets.[7] The project team for the design and pilot phase consisted partially of seconded staff from the United Nations Sustainable Development Group entities that had offered resources. The project team has been organizing its deliverables around four main work streams:

[6] The companion piece guidance is supplementary guidance on how each step in the Cooperation Framework guidance needs to be conducted.

[7] Those targets, as set out in A/72/684-E/2018/7, are: (a) establish common back offices for all United Nations country teams by 2022; (b) ensure compliance with an improved business operations strategy by 2021; (c) make progress on the mutual recognition of policies and procedures; (d) increase the proportion of United Nations common premises to 50 per cent by 2021; and (e) measure client satisfaction with regard to all back-office services.

(a) Enabling and prerequisite functions, which include mutual recognition, a client satisfaction system, a common support function costing tool and an improved business operations strategy;

(b) Establishment of common back-office functions at country locations. Business support processes are being reviewed according to the six service lines described in the business operations strategy;

(c) Review of headquarters and global service centre functions, inventory of services and design of options for creating a global network;

(d) Establishment of common premises.

471. Task teams[8] were to provide evidence-based analyses after consultation with the relevant persons at the headquarters, regional and country levels with the support of the Development Coordination Office. The Office was to provide a knowledge management platform to provide the regional- and country-level data required by the task teams. The Development Coordination Office was also to provide support and help to coordinate the work of the Business Innovations Group of the United Nations Sustainable Development Group and task teams. It was also expected to help coordinate any joint work with the High-Level Committee on Management. The Business Innovations Group project was to be disbanded in May 2020 after handing over the methodology for business innovations initiatives for implementation by the Development Coordination Office.

Enabling framework

Mutual recognition principle

472. In its resolution 71/243, the General Assembly underscored that entities within the United Nations development system should operate according to the principle of mutual recognition of best practices in terms of policies and procedures, with the aim of facilitating active collaboration across agencies and reducing transaction costs for Governments and collaborating agencies. In his report A/72/684-E/2018/7, the Secretary-General stated that progress towards that goal was also contingent on progress on the mutual recognition of policies and procedures by entities of the United Nations development system. The Business Innovations Group, entrusted with advancing common business operations, also recognized mutual recognition of policies and procedures as a prerequisite to common business operations.

473. The mutual recognition statement was ready in November 2018 for United Nations entities to sign as a confirmation of adoption of the principle and the Board was informed that 19 entities had signed the document by April 2020. The Board noticed that it had been recommended, in the meeting of the Business Innovations Group held in November 2019, that mutual recognition required further operationalization and that the High-Level Committee on Management should lead on that.

474. The Board could not find any mechanism in the Development Coordination Office to track actual implementation of the mutual recognition principle by the agencies. The Board was informed that there was a need for a tracking system, but that was in the ambit of the High-Level Committee on Management and that the Development Coordination Office was supporting the High-Level Committee on Management and the Business Innovations Group project to expand the number of signatories.

[8] The United Nations Sustainable Development Group and the Business Innovations Group were to create task teams with specific, executable and time-bound deliverables. The teams were to present recommendations to the United Nations Sustainable Development Group through the Business Innovations Group.

475. The mutual recognition statement would have to operate in the context of a multitude of agencies with differing financial rules, procedures and policies. In that connection, the Board noticed that:

(a) The status of the mutual recognition statement in terms of the individual financial regulations and rules of different United Nations entities was not clear;

(b) There might be a requirement for the implementation framework of mutual recognition to enable and guide its consistent application. The Board was informed that United Nations agencies were working on operational guidance on how to apply mutual recognition within the context of the agencies' rules and regulations. While the Board appreciates the development of individual operational guidance, it is also of the view that a common implementation guidance or framework may add value to the entity-specific development exercise and could assist in maintaining consistency across the entities, to the extent possible.

476. The Administration asserted that the mutual recognition statement specifically stated in its principles that United Nations entities maintained sound financial management and internal control systems to ensure that funds were used for the purpose intended, with due attention to considerations of efficiency and effectiveness, and that United Nations entities subjected their financial and administrative systems to internal and external auditing arrangements in line with internationally accepted standards. It was stated that, as long as United Nations entities maintained those principles, there was no additional risk incurred by using each other's rules and regulations, different as they may be.

477. The Board was also informed that it would be more complicated to operationalize mutual recognition in some areas than others. Information and communications technology was identified as one of the more complicated areas, with the automation of processes and digital solutions being hampered as each agency had different security policies preventing other entities from accessing their enterprise risk management systems. Moreover, those systems (and the data in them) were considered strategic assets for the entity and the data were confidential.

478. The Administration agreed that a guide to operationalizing the mutual recognition statement could and should be applied for all signatory entities. It stated that the mapping of challenges related to mutual recognition would be helpful to develop an inter-agency policy to address those challenges. The Administration pointed out that those efforts should be led by the High-Level Committee on Management, as the owner of the mutual recognition framework.

479. The Board took note of the fact that actions around the mutual recognition principle and the implementation thereof were led and guided by the High-Level Committee on Management. The Board is of the view that, as the Secretary-General is head of the United Nations System Chief Executives Board for Coordination and the Board's secretariat is located within the Executive Office of the Secretary-General, the United Nations Secretariat could play a leadership role in engaging with the United Nations system agencies towards identifying possible areas of improvement in the mutual recognition framework, which may further contribute to the objective of "Delivering as one" for the 2030 Agenda.

480. **The Board recommends that the Administration proactively support the High-Level Committee on Management in bringing all United Nations Sustainable Development Group members on board with regard to the mutual recognition principle and augmenting the capacity for tracking the progress of the implementation of the mutual recognition principle.**

481. **The Board recommends that the Administration support the High-Level Committee on Management in exploring the feasibility of a system-wide**

implementation framework and guidance for the mutual recognition principle, including identification of the practical concerns of agencies for implementation and addressing them by ensuring broad-based inter-agency participation.

482. The Administration agreed with the recommendations. It stated that the Development Coordination Office would continue to support the High-Level Committee on Management by including mutual recognition and its implications for United Nations entities in the Development Coordination Office efficiency briefings to the executive management of United Nations entities as urgent and by capturing challenges related to the implementation of mutual recognition at the field level as and when they were raised to the Development Coordination Office and sharing them with the High-Level Committee on Management. In addition, the Development Coordination Office would support the High-Level Committee on Management by including mutual recognition and the need for agency-specific guidance operationalizing mutual recognition in the Development Coordination Office efficiency briefings to the executive management of United Nations entities.

Client satisfaction principle

483. The Business Innovations Group recognized customer-oriented culture as a prerequisite for the objective of common business operations. The Secretary-General, in his report A/72/684-E/2018/7, called upon all entities of the United Nations development system to measure client satisfaction with regard to all back-office services. The Business Innovations Group developed a principles for measuring client satisfaction with regard to all back-office services in August 2019, in which it called upon United Nations entities to commit to applying the principle on client satisfaction for the delivery of shared services with effect from 2020 for new service-level agreements and by the end of 2020 for existing service-level agreements. The principle was to be endorsed by all United Nations entities currently offering shared services or willing to do so in the future. It was also stated that, upon endorsement, the principle would enter into immediate effect for new service agreements and within one year for existing ones.

484. The Board noticed that, although the principle was available for signature from August 2019, only two agencies had endorsed it as of April 2020. The Administration stated that the customer satisfaction principle was already integrated into the business operations strategy and common back office methodologies. Therefore, it was already operationalized through the business operations strategy and common back office roll-out. As such, the signatures were mainly required to document executive-level buy-in of the United Nations entities, formalizing the principle. It also stated that consultations should be held to increase the number of signatures. The Board was informed that the responsibility of the Development Coordination Office was to implement the principle once it was agreed. The Development Coordination Office supported the project team where possible and briefed agencies on the broader efficiency agenda of the Secretary-General and, as part of those briefings, would continue to highlight the need for United Nations entities to sign the customer satisfaction principle.

Costing and pricing principle

485. The costing and pricing principle is intended to ensure fairness and transparency in service provision by agreed pricing principles. The Business Innovations Group recognized that a set of core principles on how one United Nations entity would cost and recover the cost of any service it provided to other United Nations entities was an enabler for common services. An agreement by all participating entities is critical to ensuring fairness, transparency and trust in the sharing and exchanging of services.

486. The Business Innovations Group developed a principle for the costing and pricing of services exchanged between United Nations entities in August 2019 to support United Nations entities, including the associated information to be shared in the context of the following back-office services: administration; finance; human resources; information and communications technology; logistics; and procurement. It also stated that four core principles (full cost recovery, direct and indirect cost recovery, transparent cost disclosure, and clear service-level agreements) became applicable following the signature of the document by an authorized signatory and would be incorporated into new service agreements no later than 2020. It was highlighted that an agreement by all participating entities was critical to ensuring trust in the sharing and exchanging of services.

487. The Development Coordination Office had highlighted, in the Business Innovation Group meeting, that negotiations on signatures on the document needed to be completed by the project team prior to handover to the Development Coordination Office. The chair of the Business Innovation Group opined that the principle was on an opt-in, opt-out basis and that United Nations entities could decide for themselves whether they wanted to participate or not. The Board noticed that, although the principle had been available for signature from August 2019, only two agencies were signatories as of April 2020. The Board is of the opinion that an enhanced level of consultations and increased engagement may be needed to get more entities on board for adopting the principle. The Administration acknowledged the need for consultations but stated that the Business Innovation Group had yet to decide on the owner of the costing and pricing principle and had indicated that more consultations would be required for that.

488. **The Board recommends that the Administration take steps to bring clarity to, and define the ownership and responsibility for taking further action to promote the adoption of, the client satisfaction and costing and pricing principles, and thereafter enhance the engagement and consultations with the remaining United Nations entities to get them on board along with addressing the concerns, if any.**

489. The Administration agreed with the recommendation and informed the Board about the future plan of action.

Business operations strategy

490. The business operations strategy was launched in 2012 as a response to a call for simplification and harmonization of the United Nations system. The business operations strategy is a results-based framework that focuses on joint business operations with the purpose of eliminating duplication, leveraging the common bargaining power of the United Nations and maximizing the economies of scale. It is facilitated by the principle of mutual recognition and it constitutes a reliable, evidence-based foundation for the establishment of common back offices. It is a flexible tool recommended for United Nations country teams that seeks to enhance the quality and cost-effectiveness of joint business operations.

491. The Board was informed that the business operations strategy 2.0 had been launched in October 2019, with key changes in the form of simplification of the business operations strategy methodology. Further, the business operations strategy online platform had been introduced in 2019 for the automation of the process and to allow real-time analysis of the impact of the business operations strategy at the country, regional and global levels to inform policy and strategy development of the United Nations Sustainable Development Group. The Secretary-General, in his report A/72/684-E/2018/7, encouraged all United Nations country teams to ensure compliance with an improved business operations strategy by 2021, building on the existing experience in 26 countries.

492. The Board was informed that implementation of the business operations strategy 2.0 was planned in three phases, with 26 countries in 2019, 79 in 2020 and 26 in 2021. The target in 2019 was to transition the existing business operations strategy to the business operations strategy 2.0 platform and support new United Nations country teams as new business operations strategy countries. The Board noticed that business operations strategy guidance had been launched in October 2019, as planned. However, the platform could be launched only in the first quarter of 2020, compared with the target of the third quarter of 2019. The Board was informed that, as of April 2020, 79 country teams were in the process of developing or transitioning their business operations strategy 2.0. Country teams had not completed the transition to the online platform given that the business operations strategy online platform had been launched in January.

493. The Administration stated that the business operations strategy 2.0 was owned by the project team and had been transferred in October 2019 and that the delay should not be attributed to the Development Coordination Office. It also stated that the above timeline was tentative. The Development Coordination Office had initially defined an internal target of 6 March 2020 for countries with an existing business operations strategy to transition to the online platform. However, the deadline had been extended owing to the COVID-19 situation.

494. The business operations strategy was expected to be a step towards common business operations. The Board was informed that the Administration had data analytics regarding the business operations strategy impact up to 2018 but the data were weak and the Development Coordination Office did not want those data to be public for that reason. This highlights the need for cleansing the data so that it can support decision-making.

495. The business operations strategy was, in particular, linked to common back offices, which are expected to build on the business operations strategy to consolidate back-office services in the areas of administration, finance, human resources, information and communications technology, logistics and procurement. An organic linkage and coordination between the development and implementation of the business operations strategy and work towards common back offices were expected. The Board, however, noted that a substantial number of Business Innovation Group members had raised concerns about the business operations strategy and that the two initiatives, the business operations strategy and common back offices, seemed to be moving forward as separate projects. The Board is of the view that the common back office design and roll-out should be closely linked to the business operations strategy design and roll-out, to avoid country teams having to engage twice on interrelated topics.

496. **The Board recommends that the Administration engage with United Nations country teams for the implementation of the business operations strategy 2.0 and explore the development of realistic transition and implementation timelines.**

497. The Administration agreed with the recommendation and informed the Board about its future plan of action.

498. **The Board also recommends that the Administration take steps to authenticate and revalidate the data entered by United Nations country teams in the business operations strategy so that correct and complete information can drive decision-making.**

499. The Administration stated that it had already taken steps that addressed that recommendation. The business operations strategy 2.0 had a quality assurance system that required a mandatory review of business operations strategy data by a trained and certified business operations strategy 2.0 specialist for every United Nations country team.

500. **The Board further recommends that the Administration ensure a close linkage between the business operations strategy design and roll-out and the common back office design and roll-out to derive benefits from their inherent synergies and help avoid the double engagement of United Nations country teams on these interrelated topics.**

501. The Administration agreed with the recommendation and stated that the Development Coordination Office, in support of the United Nations Sustainable Development Group task team, would ensure that the United Nations Sustainable Development Group common back office roll-out plan considered the business operations strategy status of a United Nations country team when determining the roll-out priorities for the common back office.

Progress towards common business operations

502. In line with the implementation plan dated 31 August 2018 for the inception of the reinvigorated resident coordinator system, the United Nations development system will continue to strive towards the achievement of efficiency gains. These have been projected at around $310 million a year by 2022, through savings that could emerge from following through on common business operations and common back offices, common premises, the merger of United Nations information centres with resident coordinator offices, and the implementation of the overall provisions for a new generation of United Nations country teams.

503. The Board understands that the United Nations Sustainable Development Group, the Business Innovations Group and the Development Coordination Office have been entrusted with the functions of preparing the methodology and global roll-out plan and strategy on the business operations strategy, common back offices, common premises, regional and global shared service centres, new generation United Nations country teams, and integration of United Nations information centres into resident coordinator offices. The specific progress on these activities was reviewed and findings are set out in the subsequent paragraphs.

Common back offices

504. Common back offices are country-level service centres consisting of a team of staff who are responsible for the implementation of some or all of the common services reflected in the business operations strategy. Common back offices are intended to avoid the duplication of functions for generic support services at the country level by providing these services through one consolidated service desk, implying the consolidation of all location-dependent services at the country level.

505. The Secretary-General, in his report A/72/684-E/2018/7, requested the High-Level Committee on Management and the United Nations Development Group to devise a strategy that would see the establishment of common back offices for all United Nations country teams by 2022. The General Assembly, in its resolution 72/279, welcomed measures by the Secretary-General to advance common business operations, where appropriate, including common back offices.

506. The Board noticed that the Business Innovations Group project team was to identify models for common back offices, devise strategies to establish those models and conduct pilots to test new models of common back offices by the end of the 2018/19 financial year. The Board was also informed that four[9] models had been piloted and implemented in the United Nations system, prior to the United Nations

[9] Cabo Verde (2006), Viet Nam (2008), Brazil (Joint Operations Facility) (2014–2015) and Eswatini (combination of Brazil and Viet Nam, drawing on their instruments and lessons) (2017).

development system repositioning project. In addition, there were six[10] pilot test countries in which the project team had collected data about the development of their common back office approach. The final model, which was under preparation by the project team, would be handed over to the Development Coordination Office for roll-out after approval by the Business Innovations Group.

507. During its review of the progress made with common back offices and related documents, the Board noticed that:

(a) The project team established in July 2018 was to be disbanded in May 2020 after handing over the complete methodology and information technology platform for common back offices. Neither of those deliverables had been finalized until March 2020 and the likely date of handing over of the common back office methodology was June 2020;

(b) The benefits tracker for reforms mentioned a likely completion date for piloting of the second quarter of 2020, which was different from the target dates in the United Nations Sustainable Development Group key deliverables. Further, there was no clear timeline for finalizing the common back office methodology in the benefits tracker;

(c) The lack of a common back office information technology platform was a risk for the roll-out and implied that the initial roll-out would be supported by manual data collection, which could potentially be less efficient. The Board was informed that the Development Coordination Office had included the platform design as part of the common back office roll-out plan, but there was an absence of dedicated human capacity in the Development Coordination Office to manage the process;

(d) The Business Innovations Group project team had finalized six country reports and shared them with the respective United Nations country teams. Further, a synthesis report summarizing the conclusions had been prepared and shared with consultation countries. The Board was informed that the feedback from user agencies revealed a lack of support capacity and financing for common back offices and there were concerns that there might not be enough capacity to support them.

508. The Board was informed that political governance and lack of staff and resources were major hindrances in rolling out common back offices by the target date of 2022. The Administration stated that:

(a) In the design of the Development Coordination Office, common back offices were not reflected and there was no staff for them. A preliminary analysis by the Development Coordination Office indicated that a minimum of five staff would be needed to manage and coordinate the global roll-out. Even if such additional staff were made available, it was unlikely that the target of 131 countries could be achieved, given the nature, complexity and scope of the common back office global roll-out. To achieve the target, the Development Coordination Office would require a team at least two to three times that size. Under the new common back office business model, the common back offices were a country team responsibility and therefore leveraged country capacity. The Development Coordination Office would need temporary capacity to manage and coordinate the global roll-out as it envisaged inter-agency collaboration, including cost-sharing arrangements of resources across agencies;

(b) As for political governance, the challenge was that there was no fast-tracking approval platform or body and each individual common back office design (there were 131) would need to be cleared by, on average, 13–18 agency headquarters. Based on lessons learned from pilot common back office projects, this would slow down the roll-out significantly to the extent that it was a critical fail factor for the

[10] Albania, Botswana, Jordan, Lao People's Democratic Republic, Senegal and Viet Nam.

project. The Board was informed that the Development Coordination Office was working on getting the Business Innovations Group to appoint "champions" for the project, who would provide the political capital and clout to work on achieving individual common back office design fast-tracked for approval. That solution was still at a very initial level in terms of implementation.

509. The Board took note of the challenges highlighted by the Administration and the steps planned to deal with them. The Board also noted that proposals for common back offices had been welcomed by the General Assembly in June 2018, while the Development Coordination Office had been established in November 2018. A lack of planning for the resources required for common back offices indicated potential gaps in the implementation plan for common back offices, even at the initial stages.

510. The Board noted that there were additional risk areas that could potentially affect the achievement of the objective of common back offices and the target date for their achievement:

(a) A lack of linking of the common back office design and roll-out with the business operations strategy design and roll-out;

(b) Risks of gaps in engagement and coordination between the Development Coordination Office and the Business Innovations Group project team in the design phase of common back offices. The Board was informed that the Business Innovations Group project team was responsible for the design of the common back office roll-out design and methodology and the Development Coordination Office was responsible for its roll-out. The Development Coordination Office informed the Board that it did not own the common back office project as it was yet to be handed over by the Business Innovations Group. The Development Coordination Office also informed the Board that it had not been involved with the process from the very beginning and had joined very late. The level of involvement was also limited to some technical working groups in February 2020.

511. The Administration stated that, in 2018, the common back office scope and methodology were still under discussion by the Business Innovations Group and the Development Coordination Office was in transition from the old Development Operations Coordination Office structure to the new Development Coordination Office structure. At that time, the Business Innovations Group had decided to create its project team as a temporary measure to support its work, including the common back office methodology design. With the arrival of the common business strategy team leader in April 2018, strategies and roll-out plans for the business operations strategy, common back offices and other Country Business Strategies Section projects were developed in collaboration with the project team, including roles and responsibilities and exact timelines to guide the handover from the project team to the Development Coordination Office for each project. As the business operations strategy was well advanced and ready for roll-out, the Section's initial capacity was focused on the business operations strategy roll-out. As the common back office methodology was becoming more mature and the handover date to the Development Coordination Office had been established (June 2020), the Development Coordination Office had prepared a common back office strategy and roll-out plan, assessing the capacity and financial needs for the global roll-out.

512. The Board noted that common back offices were one of the most important and potentially high-impact efficiency interventions at the country level under the efficiency agenda. The ambition of rolling out common back offices to all 131 United Nations country teams is one of the foundations of the efficiency agenda and, to reach all 131 common back offices by the deadline of 2022, there is a need to carry out a comprehensive assessment of the challenges, along with exploring robust and nimble implementation methodologies to overcome them. Considering the progress made for

common premises as at April 2020 and the constraints highlighted, the Board is of the view that it would be very challenging to achieve the target of 2022 for common back offices.

513. **The Board recommends that the Administration set specific timelines with interim targets and milestones for the roll-out of common back offices and that it monitor adherence thereto.**

514. The Administration stated that the Development Coordination Office, in support of the United Nations Sustainable Development Group task team on business operations strategy and common back offices, would ensure that the United Nations Sustainable Development Group common back office roll-out plan had timelines and milestones related to the global common back office roll-out. It would also report regularly to the task team on business operations strategy and common back offices regarding the progress of the common back offices roll-out, with the roll-out plan targets and timelines as a basis.

515. **The Board also recommends that the Administration explore ways to create a dedicated team for a smooth global roll-out of the common back offices and the development of the information technology platform to support it.**

516. The Administration stated that it would prepare a staffing needs assessment to assess capacity needs for the roll-out, keeping in mind the time frames set by the General Assembly for common back offices completion. The Development Coordination Office would also engage with the United Nations entities requesting the loan of staff for the duration of the common back office roll-out project.

517. **The Board further recommends that the Administration, in coordination with the United Nations Sustainable Development Group, take action for the development of a United Nations Sustainable Development Group platform to facilitate the fast-tracking of the implementation of the common back offices project.**

518. The Administration stated that the Development Coordination Office, in support of the United Nations Sustainable Development Group task team on business operations strategy and common back offices, would include the development of the common back office platform in the roll-out plan, and include the financial resources required to develop that platform. The Development Coordination Office, on behalf of the United Nations Sustainable Development Group task team, would also lead the development of the platform (provided that financial resources were made available) and test it during phase 1 of the common back offices roll-out.

Common premises

519. The objective of common premises is to build closer ties among United Nations staff and promote a more unified presence at the country level in a cost-effective manner. Common premises entail the co-location of two or more resident United Nations entities present in a country. Common premises can be established at the national and subnational levels, usually supported by a range of common services enabled by agency co-location.

520. The Secretary-General highlighted, in A/72/684-E/2018/7, the need to ensure greater economies of scale and more strategic utilization of common premises, which were the most important and costly physical assets of the United Nations. In that report, he stated that there were more than 2,900 United Nations premises around the world, of which only 16 per cent were common premises. The intention was to increase the proportion of United Nations common premises to 50 per cent by 2021. The United Nations Development Group was requested to conduct a review to

determine locations where there would be operational viability and government interest to spearhead common premises.

521. The United Nations Sustainable Development Group Task Team on Common Premises and Facility Services, an inter-agency group, was tasked with providing guidance and tools for United Nations country teams that intended to engage in United Nations House or United Nations common premises renovation, construction and/or relocation projects, and to study and recommend solutions to enhance efficiencies as well as to increase the number of United Nations Houses and United Nations common premises worldwide.

522. The Business Innovations Group project team was tasked with developing the common premises approach in line with the Secretary-General's targets. The methodology was to be handed over to the Development Coordination Office to roll out after the Business Innovations Group approval, scheduled for the end of May 2020. Milestones prescribed for the roll-out of common premises included pilots (in six countries) to test consolidation planning tools and processes; establishing a new inter-agency database of United Nations premises; a consolidation plan to be implemented by the United Nations country team in each pilot country; and a new set of guidelines and tools for all country teams to conduct a self-review and develop their own consolidation plans.

Database of premises

523. The Business Innovations Group noted, in March 2020, that reliable data on the thousands of United Nations premises around the globe were fundamental to the analysis, proposals and outcomes of the common premises work stream. Development of a new inter-agency premises database was still under way. A new end-to-end consolidation tool was then to be tested, using remote facilitation, and rolled out globally in the second quarter of 2020. To prepare for the pilots, the current data were reviewed to map existing locations, creating a business case tool and consolidating a set of document templates to guide the discussions and process.

524. The Board was informed that the existing premises database was owned by the Department of Safety and Security. The Board noticed from the Department of Safety and Security database provided by the Development Coordination Office that there were 1,695 offices without any premises and that there were 4,913 premises in which offices were located, with co-location in 799 premises. Further, there were no common premises in 9 of the 131 countries with resident coordinator offices. The Administration stated that data in the Department of Safety and Security needed to be validated to ensure accuracy and that the common premises roll-out plan had a detailed workplan and timelines for that data validation. The database would be the basis for the common premises platform, which would support and guide the United Nations country teams with the consolidation process. The Board noticed that the platform was not completed and was planned to be handed over to the Development Coordination Office for development in June 2020.

525. The Board noticed that the business requirement document for the global United Nations premises database had been prepared. The document envisages that a governance structure with an oversight and decision-making role on the future of the platform would be established and alerts that failure to establish a governance body before the platform roll-out comes with the risk of scope creeping, uncontrollable change requests, and low uptake from members. The Board was informed that, after the handover in June, the platform design would form part of the common premises roll-out plan, for which the Task Team on Common Premises and Facility Services was the mandated governance and oversight body. The Board holds that a clear identification of

the governance body and its roles and responsibilities for the planned platform would be needed to mitigate the risk identified in the business requirement document.

Progress made towards common premises

526. During a review of the progress made towards common premises, the Board noticed that:

(a) Pilots had been completed in four of the six identified countries and the remaining two were being finalized. The end-to-end consolidation tool could be tested only after completion of the pilots. The outcome of the pilot was a consolidation plan that was approved by the United Nations country team and that had not been completed in any of those countries. Further, none of the countries outside the pilot countries had conducted a self-review or developed their own consolidation plans. The handover package from the Business Innovations Group project team was expected to include the signed-off consolidation planning and to be delivered to the Development Coordination Office by 30 April 2020. The Board was informed that the start of the roll-out was expected in the second quarter of 2020;

(b) It had been highlighted in the Business Innovations Group update (December 2018) that clarification of the roles and division of labour of the Business Innovations Group project team and the Task Team on Common Premises and Facility Services was required. The Board noted that there was a lack of clarity and certainty on investment and division of labour with regard to common premises and facility services;

(c) During a project overview-Business Innovations Group meeting in November 2019, reference had been made to an investment request made in March 2019 for which no resources were forthcoming, which had led to a scaled-down "consolidating planning" pilot in only six countries. In that meeting, the Business Innovations Group had expressed concern that it was increasingly apparent that the target of common premises in 50 per cent of locations by 2021 would not be met unless significant additional resources were made available;

(d) A common premises could be designated as a United Nations House if it met the minimum criteria for establishing a common premises and it must house the office of the resident coordinator. The Board was informed that United Nations Houses existed in several countries and having United Nations Houses where possible had been proposed. The number of countries would become clear as the consolidation methodology was rolled out.

527. The Board also noticed that the Business Innovations Group was of the view that targets pertaining to common premises were extremely ambitious, timewise, and would be costly in terms of project management and termination of leases if the 50 per cent target was to be achieved by 2021. The Board noted that the necessary requirements and the probable implications of shifting towards common premises should have informed the planning process for the proposal, which in turn could have helped in planning for required mitigation measures.

528. Considering the large number of locations involved, the progress made in terms of common premises as at April 2020 and the constraints highlighted, the Board is of the view that it would be very challenging to achieve the target of 50 per cent of common premises by 2021.

529. **The Board recommends that the Administration set a realistic timeline, with interim milestones for the implementation of common premises, identify risks and challenges in the implementation thereof and coordinate with partner agencies to ensure execution.**

530. The Administration accepted the recommendation.

531. **The Board also recommends that the Administration take action for the early completion of the consolidation methodology, the finalization of the tools proposed by the Business Innovations Group project team, the establishment of the information technology platform and the establishment of the governance body on the common premises information technology platform.**

532. The Administration accepted the recommendation and stated that the Development Coordination Office, in support of the Task Team on Common Premises and Facility Services, would prepare a common premises roll-out plan on the basis of the consolidation methodology and the tools approved by the Business Innovations Group and with milestones as a basis for roll-out and coordination with stakeholders.

533. **The Board further recommends that the Administration complete the database of premises as a priority and ensure its integrity so that future plans can be based upon it.**

534. The Administration accepted the recommendation and stated that the Development Coordination Office, in support of the Task Team on Common Premises and Facility Services, would ensure that the common premises roll-out plan included data validation of the data reflected in the database as a matter of priority.

Global shared service centres

535. The Secretary-General, in his report A/72/684-E/2018/7, stated that, as part of efforts towards common back offices, various options would be explored, including the possible consolidation of location-independent business operations into six to seven networks of shared service centres.

536. The Business Innovations Group project team was tasked with creating an inventory of current activities in global service centres, designing options for creating a network of global service centres for the consideration of senior leadership and then moving forward with design and testing. The Business Innovations Group project team identified that transactional processes that were location-independent could be consolidated into shared service centres. The key drivers of the establishment of global shared service centres are cost reduction, process standardization, efficiency optimization, risk reduction and leveraging new technology.

537. The Board noticed that the Joint Inspection Unit, in its report on opportunities to improve efficiency and effectiveness in administrative support services by enhancing inter-agency cooperation (A/74/71), had recommended that the Secretary-General and the executive heads of organizations should, by the end of 2019, constitute a shared services board to develop the business case for and operational design of global shared services.

538. During review of the progress made towards shared service centres and related documents, the Board noticed that:

(a) The Business Innovations Group was of the view that, to understand the actual scale of the opportunities, the next step was to send out a request for expressions of interest to learn which entities wanted to be a provider to others and/or buy from others. Further, as recommended by the Joint Inspection Unit, the project team was working on a governance board for global shared service centres and would revert with a proposal. It was indicated that further discussion was needed with regard to the governance model of the global shared service centres;

(b) A United Nations services marketplace survey to map existing services and potential service offerings had been launched in July 2019. Each entity was requested to indicate which activities they were currently providing to others; which activities they would be willing to start providing at that time or in the future; and which activities they would like to receive from others. The survey results were intended to help refine the design of the common back offices for location-dependent functions and their relationship with offshore service centres for processing location-independent transactions;

(c) The Business Innovations Group update in December 2019 intimated that the results of the marketplace survey had been reviewed and that customized reports had been shared with the 21 United Nations entities that had responded. Following further inter-agency discussions on the results, it had been agreed that a follow-up questionnaire to focus on and gauge, in particular, the geographical scope of location-independent services and the scale of offerings would be launched. In accordance with the Business Innovations Group project teamwork plan, the second marketplace survey was to be completed in the first quarter of 2020 and, by the second quarter of 2020, the governance and ongoing mechanism for global shared service centres was to be finalized. The Board was informed that the survey had been completed in June 2020;

(d) The results of the first marketplace survey revealed that, across the 163 business activities surveyed, a total of 1,190 offers had been received from responding entities, of which 1,070 offers were for service provision available at the time of reply, and 120 for service provision in the future. Further, a total of 1,039 requests had been made against the 163 activities surveyed.

539. The Board was informed that the Development Coordination Office had not been engaged in the design or implementation of the global shared service centres and that the global shared service centres project was owned by the Business Innovations Group. It was also stated that the Development Coordination Office planned to use the results of the global shared service centres project in the implementation of the Secretary-General's regionalization project. The regionalization project was intended to map supply and demand for common operational solutions at the regional level by developing a regional business operations strategy for each of the five regions. Based on the mapping of the demand, the regionalization projects planned to "link" or "match" the demand for services from the region to the supply of services from global shared service centres (location-independent services), common back offices and other United Nations entities.

540. **The Board recommends that the Administration coordinate with the Business Innovations Group to expedite the identification of a governance structure as recommended by the Joint Inspection Unit in its report A/74/71.**

541. The Administration accepted the recommendation and stated that the Development Coordination Office would ensure that the global shared service centres project was reflected on the agenda of the meeting of the Business Innovations Group to be held in June, to expedite the consultations regarding the future of the global shared service centres project.

G. Implementation of peace and security reforms in the Department of Political and Peacebuilding Affairs

542. In his report on the revised estimates relating to the programme budget for the biennium 2018–2019 under section 3, Political affairs, and section 5, Peacekeeping operations, and the proposed budget for the support account for peacekeeping operations for the period from 1 July 2018 to 30 June 2019 related to the peace and security reform (A/72/772), the Secretary-General proposed a reform of the peace and security pillar that had four primary goals: (a) prioritize prevention and sustain peace; (b) enhance the effectiveness and coherence of peacekeeping operations and special political missions;

(c) make the peace and security pillar more coherent, nimble and effective through a "whole-of-pillar" approach to address fragmentation; and (d) align the peace and security pillar more closely with the development and human rights pillars. The key elements of the peace and security reforms included the creation of two departments (the Department of Political and Peacebuilding Affairs and the Department of Peace Operations), a single political-operational structure with regional responsibilities, the establishment of a Standing Principals' Group and the enhancement of coherence, coordination and non-structural changes within the peace and security pillar.

543. The Board reviewed the operations of the Department of Political and Peacebuilding Affairs in the context of the reforms. The Department combines the strategic, political and operational responsibilities of the erstwhile Department of Political Affairs and the peacebuilding responsibilities of the Peacebuilding Support Office. It has global responsibility for political and peacebuilding issues and manages a spectrum of tools and engagements across the conflict continuum to ensure a more holistic approach to conflict prevention and resolution, electoral assistance, peacebuilding and sustaining peace.

Planning for the reforms in the Department of Political and Peacebuilding Affairs

544. The Department of Political and Peacebuilding Affairs identified six work streams; (a) overall management and organizational culture change; (b) management of regional divisions; (c) thematic capacities and services, policy and partnership; (d) link to operational support and management departments; (e) strategic communications; and (f) shared executive office. The objective of the work streams was to produce actionable recommendations in line with the overall objectives of the reform and to ensure "business continuity" during the transition, especially support to field presences.

Implementation of reforms in the Department of Political and Peacebuilding Affairs

545. The Board noted that the Under-Secretary General of the Department of Political and Peacebuilding Affairs and the Under-Secretary-General of the Department of Peace Operations had decided, in January 2019, to hold regular reviews of reform implementation by both departments. The first meeting, held on 9 April 2019, was intra-pillar and focused on consultations by the transition team with staff through an online survey, over 20 small group meetings, and interaction with 15 field missions and over 70 resident coordinators. The second review meeting was conducted in July 2019. It was also attended by representatives of the Department of Operational Support, the Department of Management Strategy, Policy and Compliance and the Development Coordination Office. The last meeting of 2019 was held on 19 December 2019, during which issues related to the intersection between the Department of Political and Peacebuilding Affairs and the Department of Peace Operations on the one hand, and between the Department of Management Strategy, Policy and Compliance and the Department of Operational Support on the other, were discussed.

546. The Board also noted that three quarterly review meetings had been conducted during the year. The Board also noted that significant issues on the alignment of staff resources to priorities, options for internal mobility to help build skills and foster integration, the updating of the toolbox for conflict prevention with an expanded dashboard taking account of resources available across the pillar, exploration of the scope for further alignment of the Department of Political and Peacebuilding Affairs and the Department of Peace Operations vision, strategy and plans, closer alignment with the development pillar, etc., were discussed but action taken on them was neither presented nor discussed in subsequent meetings.

547. The Board further noted that Department of Political and Peacebuilding Affairs had planned, before the beginning of the reforms, to develop uniform procedures, including approval procedures in human resources, budget, travel, information technology, logistics, etc., under the work stream on the shared executive office by December 2019. The Board, however, noted that the Department of Political and Peacebuilding Affairs and the Department of Peace Operations subdelegation had been approved in March 2020 and that the processing of the initial subdelegation would go on until June 2020. The tasks on feedback and review of subdelegations below new delegations of authority were ongoing in April 2020 although they were supposed to have been completed by December 2019. The Department of Political and Peacebuilding Affairs stated that the administrative guidance notes for the recruitment of consultants, selection of civilian staff, travel, etc., had been completed by August 2019 but that the review and re-engineering of 110 identified processes for improvement would go on beyond April 2020.

548. **The Board recommends that the Department take steps for the systematic follow-up of issues raised in the review meetings within the Department's authority and that it maintain a transparent record of the same.**

549. The Administration accepted the recommendation.

Change management in the Department of Political and Peacebuilding Affairs

550. The first and third work streams deal with the culture change and change management for reforms. The Board was informed that staff had been consistently engaged on the reform, with regular retreats and meetings at the Under-Secretary-General and Assistant Secretary-General levels, tailored workshops for directors and staff at the P-5 level, and some change management coaching by the United Nations Laboratory for Organizational Change and Knowledge at the United Nations Staff System College since 2018. The Guidance and Learning Unit of the Department of Political and Peacebuilding Affairs, along with the Department of Peace Operations, had also conducted workshops for the directors, deputy directors and staff at the P-5 level to provide middle and senior managers with the information needed for them to understand the changes of the reform and to better prepare them to undertake their functions in a new environment. Senior management (Under-Secretaries-General and Assistant Secretaries-General) had held a number of townhall meetings with all staff to share developments and take questions.

551. The Board noted that the Department of Political and Peacebuilding Affairs had conducted a survey for all 980 staff of both the Department of Political and Peacebuilding Affairs and the Department of Peace Operations in March 2019 as an early signals check. The survey had been accessed by 242 participants, 131 of whom completed all questions. A review of the survey results indicated that the majority of respondents were either neutral towards or disagreed with the statement that a more unified approach towards countries, regions or thematic and policy issues had resulted after the reforms. Less than 20 per cent of respondents confirmed that they were spending more time on conflict prevention and sustaining peace and less than 10 per cent felt that the departments were delivering better. The majority of the respondents felt that they were held accountable for results but less than 20 per cent felt that the departments were supporting innovation or were simplifying processes. Only 10 per cent of respondents agreed that the departments were operating an effective system of delegation of authority. Only about 30 per cent of staff stated that they were clear about the departments' priorities and that they received guidance from their senior managers. The Board notes that the survey was taken at the early stages of reform implementation. However, the responses of the survey indicate that an early and more comprehensive engagement with staff on change management and related training, prior to the actual implementation of reforms, would have been beneficial.

552. The Department of Political and Peacebuilding Affairs stated that the need to develop activities targeted at working-level staff was an issue raised during the various reform implementation meetings held throughout 2019, as well as during the meetings during the pre-reform planning period. The Board noted that, at the review meeting held in December 2019, discussions had been held on the staff training and engagement programme, an initiative to help carry the reform agenda and values further. The programme had been proposed to be launched in 2020, was focused on staff in the Professional and General Service categories and was expected to build a common understanding of the pillar, empower staff to succeed in changing work environments and build core skills to address new ways of working. Potential activities would include pillar-related talks, change management workshops and increased training opportunities. The Board was also informed that a training needs assessment was currently under way that would lead to the development of a training strategy for the Department of Political and Peacebuilding Affairs that would, in turn, be aligned with the Department of Political and Peacebuilding Affairs strategic plan for the period 2020–2022. The Department also stated that it was committed to continuous improvement and was of the view that the goals of increasing interdepartmental understanding, working in new and different ways and building staff skills were ongoing priorities that required investment both pre- and post-reform.

553. **The Board recommends that the Department continue to take up change management activities in the context of the peace and security reforms for the closer involvement of staff.**

554. The Administration accepted the recommendation.

Revitalization of the Peacebuilding Support Office

555. In General Assembly resolution 70/262 and Security Council resolution 2282 (2016), on the review of the United Nations peacebuilding architecture, the revitalization of the Peacebuilding Support Office to allow it to support the Peacebuilding Commission, increase synergies with other parts of the United Nations system and provide strategic advice to the Secretary General, drawing together the expertise of the United Nations system to facilitate coherent system-wide action and support partnerships for sustaining peace, was stressed. In line with the final resolution of the Assembly on the reforms (resolution 72/262 C), three posts funded from the regular budget and one from extrabudgetary resources were to be transferred to the Peacebuilding Support Office. These posts and resources came from the capacities freed up by the merger of the regional divisions and the creation of a single executive office for the Department of Political and Peacebuilding Affairs and the Department of Peace Operations. However, the Board noted that, even with the augmentation in the resources of the Peacebuilding Support Office, there was no change in the specific output expectations of that Office.

556. The Department of Political and Peacebuilding Affairs informed the Board that the candidates for two of the three posts could be onboarded only after August 2019 (Senior Political Affairs Officer (P-5)) and October 2019 (Principal Political Affairs Officer (D-1)) owing to a cumbersome recruitment process. The Department was of the opinion that, despite this, the Peacebuilding Support Office had improved its performance after its revitalization in terms of increased meetings, engagements and other qualitative aspects of its role. The Department informed the Board that a joint United Nations-World Bank Steering Committee and a Humanitarian-Development-Peacebuilding and Partnership Facility had been established in September 2019, and that there was growing conceptual and policy convergence between the United Nations and World Bank. The Department stated that the mandate of the Peacebuilding Support Office had not changed and that the redeployment of resources was only to strengthen its capacity to fulfil the existing mandate. The Department also

stated that, without the P-5 post, the output would have fallen and, owing to the additional resources, the Office could support the implementation of General Assembly resolution 70/262 and Security Council resolution 2282 (2016), the functioning of the Peacebuilding Commission and the regional monthly reviews. The Department added that, following the merger and the limited additional resources approved by the General Assembly, outputs and deliverables were expected to increase in the coming budget cycles.

557. The Board takes note of the response of the Department of Political and Peacebuilding Affairs but is of the view that developing relevant criteria to assess the results of additional resource deployment in the Peacebuilding Support Office would be beneficial in transparently tracking the effects of the revitalization of the Office.

558. **The Board recommends that the Department and Office develop relevant criteria for assessing enhanced output as a result of the deployment of additional resources in the Peacebuilding Support Office, in the context of the aspirations contained in General Assembly resolution 70/262 and Security Council resolution 2282 (2016) for its revitalization.**

559. The Administration accepted the recommendation.

Financing the Peacebuilding Fund

560. The Peacebuilding Fund is funded through voluntary contributions and managed by the Peacebuilding Support Office. The Multi-Partner Trust Fund Office of UNDP serves as the administrative agent of the Fund. Countries on the agenda of the United Nations Peacebuilding Commission, an intergovernmental advisory body, are automatically eligible for Peacebuilding Fund support. Other countries formally request eligibility from the Secretary-General through the Peacebuilding Support Office based on a consultative process between the United Nations country team, the national Government and other development partners.

561. The Board noted that the Peacebuilding Fund strategic plan for the period 2017–2019 projected an outlay of $500 million for over 40 countries during the period. The contributions made to the Peacebuilding Fund from various donors during the period 2017–2019 were, however, $355.8 million,[11] in addition to the $116 million of carry-over from the previous cycle. The Board also noted that the Secretary-General had proposed, in his report on peacebuilding and sustaining peace (A/72/707-S/2018/43), the establishment of a funding dashboard for peacebuilding in order to help address issues of fragmentation and competition among funding instruments and to enhance transparency, accountability and effectiveness.

562. The Board observed that the Peacebuilding Fund had had to reduce its initial programming target in 2019 by nearly $60 million by postponing some investments and scaling down others. Other than the recommendation on setting up an Internet-based donation mechanism, 11 of the other suggestions and recommendations made by the Secretary-General for augmenting the Peacebuilding Fund were still under various stages of implementation; in the case of the remaining 4, no action had been taken, as they were dependent on Member States. The Internet-based donation mechanism, although in its nascent stage, had not yet borne dividends and the Peacebuilding Support Office of the Department of Political and Peacebuilding Affairs had not undertaken any campaigns to promote the portal. The Peacebuilding Support Office informed the Board that the funding dashboard was in the final stages of development.

563. The Department of Political and Peacebuilding Affairs stated that the Peacebuilding Support Office had done all it could do since 2016 with limited staff

[11] 2017 ($97 million), 2018 ($124 million) and 2019 ($134.8 million).

to amplify its efforts for increasing the funding of the Peacebuilding Fund and implementing the recommendations contained in the Secretary-General's report (A/72/707-S/2018/43), including through organizing multiple missions by donors to programming countries each year, broadening strategic communications and accountability, organizing additional, targeted meetings of top donors, etc. The Department had also launched various campaigns and communications initiatives to promote the Internet-based donation portal since 2018 and would further amplify its efforts to ensure that those initiatives were integrated into its daily work. The Department informed the Board that there had been expressions of interest by Member States in donating unspent peacekeeping operations budgets and an increase in voluntary contributions and private sector participation to some extent.

564. The Board is of the view that, with the implementation of the peace and security reforms, with the Peacebuilding Fund strategic plan's goal of emphasizing conflict prevention and peacebuilding in planning processes, and considering the "whole of the pillar" approach, the Department of Political and Peacebuilding Affairs could leverage the additional resources available for the Fund and focus on augmenting the same.

565. **The Board recommends that the Peacebuilding Support Office of the Department of Political and Peacebuilding Affairs continue efforts to augment the financial resources of the Peacebuilding Fund.**

566. The Administration accepted the recommendation.

H. Procurement management

Modifications to the draft contract and/or United Nations General Conditions of Contract

567. The instructions for submitting proposals mostly state that, by submitting a proposal, the proposer confirms having read, understood, agreed to and accepted the United Nations General Conditions of Contract and the draft form of the contract. Inconsequential changes to the General Conditions of Contract and/or the draft form of the contract may be proposed and considered at the United Nations' sole discretion during the evaluation of proposals. Non-acceptance of the General Conditions of Contract and/or draft form of the contract may lead to the rejection of the proposal.

568. The Board found, however, that the Procurement Division did not take into account the changes proposed during the evaluation of proposals. In the examples reviewed, the solicitation documents stipulated that the commercial evaluation would consider conformity with the terms of reference and required services and acceptance of the United Nations General Conditions of Contract. However, the commercial evaluations did not score those aspects even though the contracts awarded differed from the draft contract, for instance with regard to insurance limits.

569. The Board holds that the acceptance of the United Nations General Conditions of Contract and the draft contract should be reflected in the scoring of the commercial evaluation if deviations are accepted by the United Nations. If the evaluation does not take into account such deviations, bidders who do not accept the stipulations receive preferential treatment compared with bidders who do. Case files should explain and justify the need to accept changes to the General Conditions of Contract and the draft contract, for example, in cases in which industry standards do not permit the use of certain clauses.

570. **The Board recommends 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 considers such modifications.

571. The Administration stated that it would consider including scoring of the bidder's acceptance and/or modification in procurement cases in which that was deemed warranted and suitable.

572. The Board holds that the Administration should score modifications in cases in which it typically accepts modifications.

Evaluation of proposals

573. Evaluation is the process of assessing and comparing submissions in accordance with the evaluation methodology and criteria that are defined before the issuance of solicitation documents. In accordance with the Procurement Manual, the requisitioner is responsible for drafting the requirements and the associated evaluation criteria. The procurement official is responsible for reviewing the requirements and evaluation criteria and ensuring that they are appropriate from a procurement perspective. The rating system is to be relevant to the requirement and involve numerical scoring, and it is to be accompanied by a description of the rating in narrative form, supplemented by an explanation of such scoring.

574. The Board found technical evaluation criteria and scoring that were vague and not defined in detail. For example, in one solicitation, mandatory criteria and additional criteria overlapped. Furthermore, the evaluation scoring matrix did not demonstrate how a specific score should be selected. The matrix defined only a range of 41 to 60 points in case of excellent qualifications, relevant expertise and experience. Further ranges were defined for good, fair and minimal qualifications. For the second part of the technical evaluation, the interview, the Administration did not have predefined questions. The range of scores was again wide.

575. For another solicitation, proposals had been assessed in five categories such as "Firm's background and experience" and "Compliance". For each category, three scoring ranges were defined: top range: 200–250; medium range: 125–199; and lowest range: 0–124. An evaluation team had evaluated the technical proposals. The Board noted significant deviations between the scoring in several categories. For example, four team members had evaluated proposals in the "Compliance" category with a score of 100 out of 100. The fifth team member had rated the proposals with a score of 70 out of 100.

576. The Board holds that several criteria were of a quantitative nature and could have been measured. Other solicitations scored those criteria clearly and transparently, for instance, the supplier's years of experience in providing the requirements, the number of clients and the number of services provided per year. The need for more clarification is also supported by the significant deviations in the ratings by each evaluator.

577. The Board considers it important that the scoring matrix be detailed and demonstrate clearly how a specific score should be determined. The evaluation report should document how the specific score was determined. While the requisitioner is the technical expert, the procurement officer is responsible for ensuring that the criteria are appropriate from a procurement perspective, for instance, that the criteria and the rating system are objective, generic and relevant to the requirements. The requisitioner will not have the expertise to develop impartial and adequate evaluation criteria.

578. The Procurement Division and the requisitioners stated that it was challenging to strike the right balance between the specification-based and performance-based technical evaluation criteria. This was the case notably for specialized services or in

first-time procurement exercises of the United Nations. It was not always possible to determine all criteria in a precise and quantifiable way, in particular for complex, innovative and/or rapidly developing market solutions.

579. The Board acknowledges that it can be challenging to develop a transparent and detailed scoring matrix. The Board holds that the Procurement Division should use its expertise and experience in this area to support requisitioners, particularly in first-time procurement exercises. The Procurement Division should ensure that quantitative criteria are measured.

580. **The Board recommends that the Procurement Division coordinate with the respective requisitioning offices to ensure that a detailed scoring matrix for the technical evaluation is developed that scores criteria of a quantitative nature and that shows how a specific score should be selected.**

581. The Administration accepted the recommendation.

Digitization of procurement files

582. Pursuant to the Procurement Manual, the officials responsible must establish a file for each contract. In addition to information documenting the procurement process, the file must include all information required to successfully administer the contract. Any issues of clarification or changes to the contract must be fully documented in this file. A standard filing system and a number system to enable the tracking of files should be established in order to create an audit trail. A good audit records trail is crucial to preventing confusion in managing files owing to the dynamic nature of the procurement function and the mobility of procurement staff.

583. On 1 November 2019, the Procurement Division moved to electronic filing in SharePoint. The case officers were responsible for scanning the files of active contracts. All “historic” files not relevant for executing a contract were retained in paper format and archived. An inter-office memorandum dated 30 October 2007 determined the standard procedure for filing procurement documents. Furthermore, the Procurement Division issued naming conventions for specific document types.

584. For a sample review, the Procurement Division provided access to 19 contract folders. While some folder structures widely complied with the standard procedure, others were not in line with the instructions. In most cases, the documents were not named in line with the naming conventions. The folders for one contract did not contain any documents. For two contracts, no documents for pre-solicitation, solicitation, vendor responses or evaluation were available. For other contracts, core documents, such as the technical evaluation report, were lacking. The majority of the electronic files contained only very few supporting documents such as email correspondence or internal memorandums. Some core documents were filed in formats that could be changed easily. The Board concluded that the folders did not contain a proper audit trail.

585. The Procurement Division used an electronic workflow management tool. The tool recorded the steps of the workflow and changes to the relevant documents. The Procurement Division clarified that the requisitioner side was not completely involved in the electronic workflow management.

586. The Board welcomes the move to electronic master procurement files as this is an important step towards an efficient and up-to-date procurement process. However, the Board identified some areas with room for improvement. Electronic files should document the complete audit trail. The current standard procedure for filing procurement documents is not up to date and does not reflect the needs of digital filing. At the very least, the final version of core documents should be recorded in a

non-editable format. It would be beneficial if all procurement stakeholders participated in one single workflow management tool.

587. **The Board recommends that the Department of Operational Support update the standard procedure for filing procurement documents. The procedure should identify the responsibilities for maintaining complete digital files, standardize the structure and contain further instructions on documentation (such as a non-editable format).**

588. The Administration accepted the recommendation. The Procurement Division stated that it would take action to update the standard procedures for filing procurement documents.

I. Humanitarian affairs

589. The Office for the Coordination of Humanitarian Affairs is responsible for bringing together humanitarian actors to ensure a coherent response to emergencies and for ensuring that there is a framework within which each actor can contribute to the overall response effort. The Office coordinates humanitarian action to ensure that crisis-affected people receive the assistance and protection they need and provides leadership in mobilizing assistance and resources on behalf of the humanitarian system. Humanitarian contributions are regulated by the Financial Regulations and Rules of the United Nations, the Procurement Manual and policies and guidelines for operating activities issued by the Office for the Coordination of Humanitarian Affairs.

590. The Office manages two mechanisms for pooled funding, namely, the Central Emergency Response Fund and country-based pooled funds, allowing donors to pool their contributions. The Central Emergency Response Fund, established by the General Assembly in 2005, receives voluntary contributions year-round to provide immediate funding for humanitarian actions anywhere in the world. The funds received are set aside to be used at the onset of emergencies, in rapidly deteriorating situations and in protracted crises that fail to attract sufficient resources. The country-based pooled funds are multi-donor humanitarian financing instruments created by the Emergency Relief Coordinator. The pooled funds are managed by the Office for the Coordination of Humanitarian Affairs at the country level, under the leadership of the Humanitarian Coordinator, who is responsible for leading and coordinating humanitarian assistance in a country experiencing an emergency.

Resource mobilization

Office for the Coordination of Humanitarian Affairs donor support group

591. The financial resources for the programme budget of the Office for the Coordination of Humanitarian Affairs are mostly drawn from voluntary contributions (95 per cent) and core United Nations Secretariat funding (5 per cent). The Board observed that the contributions of $949.36 million for country-based pooled funds remained at the same level in 2019 as in 2018 ($949.61 million in 2018). The Board also noted that, in 2019, the Office had changed the target of country-based pooled fund funding from 15 per cent of humanitarian response plan requirement to 15 per cent of humanitarian response plan funding actually received in 2018 ($11.38 billion). As a result of the change, achievement against the goal for country-based pooled fund funding improved from 37.46 per cent to 55.84 per cent. Funding for the Central Emergency Response Fund increased from $555.33 million in 2018 to $831.38 million in 2019, showing an increase of 49.41 per cent. This was mainly due to a one-off contribution of $271 million from a single donor.

Multi-year and unearmarked funding

592. The Office for the Coordination of Humanitarian Affairs, in its strategic plan for the period 2018–2021, envisaged multi-year funding commitments from existing donors that would allow for increased predictability of income, which is an important feature for the Office as its expenditure primarily consists of staff costs, which often carry liabilities for more than one year.

593. The Board reviewed the funding for the Office for the Coordination of Humanitarian Affairs for the previous three years and noticed that multi-year funding as a percentage of total funding had increased from 29.51 per cent in 2017 to 42.02 per cent in 2019. The number of multi-year funding agreements had increased from 24 to 34 and the share of multi-year funding agreements as a percentage of total agreements had also increased, from 19.51 per cent in 2017 to 28.57 per cent in 2019.

594. The Board noted that the share of unearmarked receipts in total funding remained at the same level (44.56 per cent in 2017 compared with 44.84 per cent in 2019), although unearmarked funding had reduced in nominal terms, from $130.08 million in 2018 to 121.28 million in 2019.

595. The Board takes note of the corporate resource mobilization strategy, in which the increase in multi-year agreements is identified as an action point and the aim is to have all Grand Bargain[12] signatory donors to provide multi-year funding by the end of 2021. The Office for the Coordination of Humanitarian Affairs has been able to get 12 of the 24 signatories to sign multi-year agreements with it.

596. **The Board recommends that the Administration make all efforts to achieve the funding targets for country-based pooled funds and continue to proactively advocate the increase of multi-year and unearmarked funding for more predictable financial resources and flexibility.**

597. The Office agreed with the recommendations and stated that it was part of its resource mobilization strategy for the period 2018–2021.

Country-based pooled funds

598. Country-based pooled funds are multi-donor international humanitarian financing instruments established by the Emergency Relief Coordinator and managed by the Office for the Coordination of Humanitarian Affairs at the country level under the leadership of humanitarian coordinators. The Board noticed that there were 5,387 country-based pooled fund projects ($3.07 billion) in operation during 2019. Of those, 710 projects ($382.71 million) were closed during 2019; leaving 4,677 projects ($2.69 billion) open at the end of 2019.

599. There were 18 country-based pooled funds managed by the Office for the Coordination of Humanitarian Affairs, of which six were under multi-partner trust fund administrative arrangements. In such cases, contributions from multiple donors were pooled and the pooled funds were allocated for supporting specific goals. For two[13] of the six multi-partner trust fund arrangements, the Office was the managing agent and the Multi-Partner Trust Fund Office was the administrative agent, while for the remaining four,[14] UNDP was the managing agent and the Multi-Partner Trust Fund

[12] The Grand Bargain, launched during the World Humanitarian Summit in Istanbul, Turkey, in May 2016, is a unique agreement between some of the largest donors and humanitarian organizations, which have committed to getting more means into the hands of people in need and to improving the effectiveness and efficiency of humanitarian action. Currently, 61 signatories are working across nine work streams to implement the commitments.

[13] Afghanistan and Somalia.

[14] The Central African Republic, the Democratic Republic of the Congo, the Sudan and South Sudan.

Office was the administrative agent. Disbursements from multi-partner trust funds to all United Nations agencies were done by the Multi-Partner Trust Fund Office, while disbursements to non-governmental agencies were done by the respective managing agents.

600. The Office for the Coordination of Humanitarian Affairs was responsible for overseeing the allocation process, programmatic monitoring and reporting for all the six country-based pooled funds under multi-partner trust fund administrative arrangements, while financial reporting, spot checks and audit were carried out by the respective managing agents. The Board has pointed to the disparity in monitoring and oversight across funds managed by different agencies in its earlier reports. The Office assumed the managing agent functions in all the 18 country-based pooled funds from 1 January 2020. The Board reviewed the functioning of country-based pooled funds and noted the issues set out below.

Project monitoring

601. The Office uses various key performance indicators for monitoring the stages of project implementation from approval to closure through the grant management system based on certain indicators in terms of days taken for the fulfilment of milestones under the respective stages. United Nations agencies have to submit an interim financial report to reflect expenditure incurred for project activities up to 31 December of each year by 31 January and final financial statements by 30 June of the following year (para. 211 of the Operational Handbook for Country-Based Pooled Funds). Further, the implementing partners have to submit the final financial statements and final narrative report within two months of the programmatic project closure (para. 267 (ii) and para. 212). The final financial statement has to be certified by the Country-Based Pooled Fund Section (erstwhile Funding Coordination Section) of UNDP within one month of its submission (para. 267 (ii)).

602. The Board analysed four performance indicators captured by the Office on activities related to the "Country-based pooled funds: reporting under reserve allocation"[15] category based on data in the grant management system for the previous five years and noticed the trends indicated below.

Table II.9
Performance indicators on reporting under the reserve allocation in country-based pooled funds

Process and year	*Annual global average in days for the process* 2015	2016	2017	2018	2019	*Five-year global average for 2015–2019 (days)*	*Number of country-based pooled funds below five-year global average*
Interim financial report submission to certification	63	52	34	21	14	34	5
Programmatic project closure to submission of final financial statement or final financial report	259	167	155	80	63	136	7
Submission of final financial statement or final financial report to certification	107	89	68	49	46	67	10
Programmatic project closure to final narrative report submission	129	81	70	63	65	83	6

[15] The reserve allocation is intended for the rapid and flexible allocation of funds in response to unforeseen circumstances, emergencies or contextually relevant needs. The reserve allocation process is significantly quicker and lighter than the standard allocation process (para. 109 of the Operational Handbook for Country-Based Pooled Funds).

603. The Board observed that, although the performance over the years had been improving, projects in nine countries[16] lagged behind the 5-year global average in two or more of the four indicators. All indicators for the country-based pooled funds of Iraq were below the global average. Against the global average of 136 days from the project closure date to the submission of the final financial reports, it was 622 and 520 days for country-based pooled funds in the Central African Republic and the Sudan, respectively. Even where the processes were internal to the Office for the Coordination of Humanitarian Affairs and UNDP, such as the certification of interim and final financial statements, there were significant delays in nine country offices. Against the global average of 67 days between final financial statement submission and certification, it was 184, 126 and 119 days for the Iraq, Jordan and Lebanon country offices, respectively. The Board noted that 37.60 per cent of final financial reports from United Nations partners had not been received in 2019, while there were delays in the receipt of 47.81 per cent of final financial reports and 53.30 per cent of final narrative reports against the prescribed timelines.

604. The Office stated that the financial reports by United Nations agencies in respect of the six Multi-Partner Trust Fund Office-administered funds had been submitted in the multi-partner trust fund system. Similarly, financial reports by non-governmental organizations in respect of the four UNDP-managed funds had been submitted to UNDP up to 2019. Hence, the Office did not have a complete overview of the financial reporting of those funds. However, from January 2020 onwards, the Office had taken over management responsibility of the four funds earlier managed by UNDP; that would facilitate the Office in tracking financial reporting by non-governmental organizations fully in the grant management system. The Office also informed the Board that it was looking for options to enable the transferring of the reporting data of United Nations agencies of the six Multi-Partner Trust Fund Office-administered funds automatically to the grant management system.

605. The Board acknowledges the efforts made but is of the view that the status of financial and programmatic reporting reflects the need for improvement, especially in the country-based pooled funds that are performing below the global averages. Financial reporting by United Nations agencies also needs attention.

606. **The Board recommends that the Office scale up its engagement with United Nations agencies with regard to country-based pooled fund reporting so that there is improvement within a defined time period.**

607. The Office accepted the recommendation and stated that it would endeavour to further improve the timeliness of the financial reports of United Nations agencies in the 12 funds fully managed by it. In the case of the remaining six funds, the Office would implement automated data migration of final financial statements from United Nations agencies with the support of the Multi-Partner Trust Fund Office.

Status of audits

608. The Board observed that, of 2,811 projects in respect of the 14 country-based pooled funds managed by the Office, audits due had not been completed for 901 projects (32.05 per cent), with disbursement of $640.60 million. In the four country-based pooled funds managed by UNDP, of 1,664 projects, audits due had not been completed for 269 projects (16.16 per cent), with disbursement of $144.81 million. The Office uses key performance indicators to monitor the interim milestones for internal processes from receipt of final financial statement to project closure. There is a fixed timeline for audit after the clearance of the final financial statement (two

[16] The Central African Republic, Iraq, Jordan, Myanmar, Nigeria, Pakistan, South Sudan, Turkey and Yemen.

months) and closure of the project after receipt of audit report (two months) but there is no fixed timeline for finalization of the audit reports that trigger project closure. The Board analysed the four performance indicators captured by the Office on activities related to audit and closure of projects under the "Reserve allocation" category based on data in the grant management system for the previous five years, as shown in table II.10 below.

Table II.10
Performance indicators on audit and project closure under the reserve allocation in country-based pooled funds

Process and year	*Annual global average in days for the process*					*Five-year global average for 2015–2019 (days)*	*Number of country-based pooled funds below five-year global average*[a]
	2015	*2016*	*2017*	*2018*	*2019*		
Submission of final financial statement or final financial report to audit being triggered	138	60	91	67	52	76	6
Audit trigger to finalization of audit report by the Humanitarian Financing Unit	306	263	199	164	41	253	9
Finalization of audit report by the Humanitarian Financing Unit to its finalization by the Country-Based Pooled Fund Section of UNDP	226	73	52	20	58	77	7
Finalization of audit report by the Country-Based Pooled Fund Section of UNDP and associated action until project closure	142	232	144	69	N/A[b]	154	4

[a] Excluding the country offices for which data were not available.
[b] Not applicable. The projects have yet not reached this stage for the latest year.

609. The Board observed that, although the projects were to be audited within two months of clearance of the final financial statement, the stages before the audit report finalization in 2019 had taken about 93 days on average at the global level. There had been a general improvement in the performance parameters; however, the time taken from the finalization of the audit report by the Humanitarian Financing Unit to its finalization by the Country-Based Pooled Fund Section (formerly the Funding Coordination Section) of UNDP had increased in 2019.

610. The Board noticed that there were errors in the data for country-based pooled funds in the Sudan, as the number of days from submission of the final financial statement to the triggering of the audit had been recorded as negative. The indicator "Audit report finalized by the Country-Based Pooled Fund Section of UNDP and associated action until project closed" was also not available for the country-based pooled funds of the Democratic Republic of the Congo, Nigeria and South Sudan.

611. The Board further noticed that nine country-based pooled funds[17] (excluding the ones for which data were not available) were performing below the 5-year global average for two or more of the four indicators related to audit and closure. The time taken for audit report finalization from the date of triggering the audit was in the range of 261 (Somalia) to 472 days (Iraq) in nine country-based pooled funds, against the global average of 253 days. The country offices of Iraq and South Sudan took an unusually high time to trigger an audit after submission of the final financial report. Against the global average of 76 days in that regard, it was 171 and 227 days in respect of Iraq and South Sudan.

[17] Afghanistan, the Democratic Republic of the Congo, Iraq, Jordan, Lebanon, Myanmar, Somalia, Turkey and Yemen.

612. The Office acknowledged the delays and cited external issues such as security and the inability of audit companies to access some areas as causing the backlog. The Office informed the Board that the audit backlog had been substantially reduced owing to global long-term agreements for audits. The Office stated that it was working on extending the current long-term agreements for audits, along with adding audit capacity, in some of the geographical areas based on perceived need.

Status of refunds

613. In line with para. 267 (v) of the Operational Handbook for Country-Based Pooled Funds, following the closure of a project and its audit, when applicable, partners will be notified by the Office about the exact amount to be refunded. Partners have one month from the date of notification to refund the amounts due.

614. The Board analysed the country-based pooled fund projects for which allocations had been made during the period 2015–2019 and observed that refunds of $11.22 million were due from implementing partners for 549 projects for which the Office was the managing agent. Of the refunds due, a refund of $5.71 million was pending from implementing partners, whose eligible expenditure as reported in the grant management system was nil for 251 projects. The Board noticed that refunds of $28.37 million were due from implementing partners for 409 projects for which UNDP was the managing agent. Of those refunds due, a refund of $19.26 million was pending from implementing partners, whose eligible expenditure as reported in the grant management system was nil for 216 projects.

615. An ageing analysis of the refunds due is shown below.

Table II.11
Ageing analysis of refunds in country-based pooled funds

	Country-based pooled funds managed by the Office		*Country-based pooled funds managed by UNDP*	
Years since due	*No. of projects*	*Amount (millions of United States dollars)*	*No. of projects*	*Amount (millions of United States dollars)*
More than 4 years	47	1.15	62	7.05
3–4 years	124	3.42	70	1.97
2–3 years	161	3.08	44	3.05
1–2 years	204	3.37	88	3.33

616. Following analysis of project closure data as extracted from grant management system reports, the Board noticed that refunds were pending in 38 projects involving 28 implementing partners for which the audit had been finalized. Further, 43 new projects worth $15.99 million had been approved and funds disbursed to 10 of those 28 implementing partners.

617. Pending refunds, especially from projects with nil eligible expenditure, pose significant financial risks to the Office and reduce the availability of funds for other humanitarian contingencies. Moreover, further funding to such implementing partners was in contravention of provisions in the Operational Handbook for Country-Based Pooled Funds and indicated weaknesses in internal controls and the monitoring mechanism for refunds. The Office stated that the monitoring was done by the partner performance index, which captured issues that might result in an adjusted risk level of the partners.

618. **The Board recommends that the Office make sustained and time-bound efforts to clear the backlog of audits and to ensure that refunds due from implementing partners are received promptly.**

619. The Office accepted the recommendation.

Central Emergency Response Fund

620. The Central Emergency Response Fund enables humanitarian responders to deliver life-saving assistance whenever and wherever crises strike. Funding is through either grants or loans. There are two windows for grants: the Rapid Response window allows country teams to kick-start relief efforts immediately in a coordinated and prioritized response when a new crisis emerges; and the Fund's Underfunded Emergencies projects help scale up and sustain protracted relief operations to avoid critical gaps when no other funding is available. During 2019, the Emergency Relief Coordinator approved Central Emergency Response Fund funds worth $538.67 million for allocation under 300 Rapid Response projects ($338.77 million) and 148 Underfunded Emergencies projects ($199.90 million).

No-cost extensions of projects

621. The implementation period for a Rapid Response project is six months, while Underfunded Emergencies projects are allowed nine months, during which all funds are to be expended and all activities completed, including those of implementing partners. In line with the Central Emergency Response Fund guidelines, project extensions (no-cost extensions) are usually not allowed except in exceptional circumstances, if the reasons for the inability to implement are clearly documented as outside the control of the recipient agency. Requests for no-cost extensions must be submitted by the resident coordinators or humanitarian coordinators to the Emergency Relief Coordinator a minimum of 10 days prior to the project end date. Retroactive extensions are not to be accepted.

622. Of the 475 Central Emergency Response Fund projects with an original project end date in 2019, the Emergency Relief Coordinator granted no-cost extensions for 115 projects (24.21 per cent), which included 76 Rapid Response and 39 Underfunded Emergencies projects. The Board noted that a request for no-cost extensions had been made with a delay in 62 projects (54 per cent); in 29 projects (25.22 per cent) of those projects, the request had been made after the original project completion date. Although retrospective extensions are not to be accepted, the secretariat of the Fund granted no-cost extensions to those 29 projects. The Board also observed that the average extension period for 76 Rapid Response projects and 39 Underfunded Emergencies projects was 75 and 89 days, respectively.

623. The Office replied that no-cost extensions were typically due to factors outside the control of agencies, such as access, insecurity and other external disrupting factors within a given emergency. The delayed requests were due to a lack of awareness of the Central Emergency Response Fund rules and regulations and other implementation issues by implementing agencies, such as multiple donors, along with the Central Emergency Response Fund, each having different rules. The Office also stated that, although it carefully reviewed extension requests that were submitted too late, ultimately, the needs of the people affected by crises were placed at the centre of decisions.

624. The Board emphasizes that the Central Emergency Response Fund funds are allocated to address the highest-priority life-saving needs in crisis situations and the guidelines are framed accordingly. The no-cost extensions in 25 per cent of projects and the delayed submission of requests indicate the need to strengthen project implementation and ensure that no-cost extensions are granted only in exceptional cases.

625. **The Board recommends that the secretariat of the Central Emergency Response Fund engage with implementing agencies to minimize requests for**

extension, carefully review such requests and grant extensions only in genuinely exceptional circumstances.

626. The Office accepted the recommendation.

Financial reporting

627. In line with the Secretary-General's bulletin on the establishment and operation of the Central Emergency Response Fund (ST/SGB/2010/5) and the umbrella letter of understanding with the Central Emergency Response Fund, grant-receiving United Nations agencies require the submission of financial reports and the return of unspent grants. While financial reports form an important part of the financial management of projects, refunds are reflected in the final certified financial reports. Accordingly, recipient organizations must submit financial reports three times a year to the secretariat of the Central Emergency Response Fund, as follows:

(a) A certified interim financial report for each grant as at 31 December is to be submitted by 15 February of the following year;

(b) For Rapid Response projects with an implementation end date of between 1 January and 30 June of a given year, an interim report is to be submitted by 15 August of the same year;

(c) A final financial report for each grant as at 31 December is to be submitted by 30 June of the following year.

628. The Board noted that the secretariat of the Central Emergency Response Fund had, for the first time, collected all the interim financial reports for its 641 projects from its 141 implementing agencies within one month of the due date of 15 February 2020. There had been delays of up to 24 days in the submission of interim financial reports for 46 of 185 projects pertaining to five United Nations agencies.[18]

629. Interim reports for 125 Rapid Response projects with an end date of between 1 January 2019 and 30 June 2019 were due by 15 August 2019. The Board found delays in the submission of interim reports in 14 projects (11.20 per cent): the delay ranged from 18 to 99 days in nine cases.

630. The final financial reports for 601 projects as at 31 December 2018 were due by 30 June 2019. The Board noticed delays ranging from 1 to 26 days in the submission of final financial reports for seventeen projects (2.83 per cent). Of those, the delay was more than 10 days in twelve projects.

Refund of unspent balances

631. Of the 641 Central Emergency Response Fund projects operational as at 31 December 2019, 1 project had a project end date in 2017 and 55 projects had project end dates in 2018. The Board found that, as at 15 February 2020, against $1.21 million to be fully recovered from those 56 projects, the secretariat of the Fund had recovered $404,162 (33 per cent) by the due date and $785,834 (65 per cent) had been recovered with a delay ranging from one to seven months. A refund of $23,141 (2 per cent) for one project was still unrecovered (April 2020). The refund pertaining to the 2017 project had been recovered after 19 months.

632. Of the 641 Central Emergency Response Fund projects operational as at 31 December 2019, 381 projects had a project end date in 2019 (139 projects by June 2019 and 242 projects by December 2019). The Board noted that, as at 15 February

[18] Food and Agriculture Organization of the United Nations, International Organization for Migration, Office of the United Nations High Commissioner for Human Rights, United Nations Development Programme and Office of the United Nations High Commissioner for Refugees.

2020, 75 per cent of the unspent balances for projects ending in 2019 was $14.94 million, of which $9.87 million (66 per cent) remained unrecovered (10 April 2020). The Board also noted that, of the $5.07 million in refunds received for projects ending in 2019, only $0.79 million (5 per cent) had been received by the due date and the remaining $4.28 million (29 per cent) had been received after the due date.

633. The Office stated that the submission of financial reports and refund management also depended on implementing agencies and the operational context in which the Central Emergency Response Fund projects were being implemented. While there were delays in projects despite tremendous efforts, the secretariat of the Central Emergency Response Fund, agency headquarters and their field offices closely and constantly communicated to identify the causes and resolve such delays.

634. **The Board recommends that the secretariat of the Central Emergency Response Fund pursue the timely completion of financial reports and the refund of unspent funds.**

635. **The Board also recommends that the secretariat of the Central Emergency Response Fund strengthen measures such as training, policy briefings and consultations with United Nations agencies for better collaboration in ensuring timely financial reporting and refunds.**

636. The Office accepted the recommendations and stated that it would continue its ongoing efforts to vigorously pursue the timely and full collection of financial reports and refunds of unspent funds of the Central Emergency Response Fund grants.

Integration of various financial management systems

637. The Office for the Coordination of Humanitarian Affairs prepares, in the same way as other United Nations Secretariat offices and agencies, its trial balance through Umoja. In addition to Umoja, the Office uses other financial management systems, such as the budget implementation and analysis system for budgeting and performance management, the grant management system for implementing partner management in country-based pooled funds and the Central Emergency Response Fund, and the contribution tracking system for fundraising and donor relationships. These systems record different financial transactions that have an impact on the recording of transactions in Umoja and the preparation of trial balances.

638. The budget implementation and analysis system is an internal budget tool used by the Office for the Coordination of Humanitarian Affairs to prepare its extrabudgetary annual cost plans pending the development of an Umoja budget module under Umoja Extension 2. The approved budget in the system is recorded in Umoja as unreleased budget and both have to be reconciled regularly. The Office informed the Board that the reconciliation was done on a weekly basis.

639. As regards the grant management system of country-based pooled funds, the Office and the Umoja team initiated the project to build the Umoja Extension 2 grantor-country-based pooled funds grant management system bridge. The data bridge was tested and was finalized by February 2020. In the current bridge architecture, the country-based pooled funds grant management system would feed the information into the grantor module of Umoja with the required agreement data, possibly for one or multiple projects. The process would avoid any manual entry of data by staff at headquarters or in the field or by partners into the grantor module. The Board was informed that the Office for the Coordination of Humanitarian Affairs and Umoja teams were working closely to finalize the roll-out plan for that phase of the data bridge as soon as possible.

640. The grant management system of the Central Emergency Response Fund manages the processes of allocation of Central Emergency Response Fund funds at

headquarters and it is not integrated with Umoja. The Office stated that the envisaged data bridge was intended to benefit both country-based pooled funds and the Central Emergency Response Fund with the caveat that, as the structure of the grant management system and workflows were different, the actual degree of usage would vary. It would go live first for country-based pooled funds and the Central Emergency Response Fund would assess its utility for maximum benefit.

641. For the recording of voluntary contributions, the Office uses the contribution tracking system and the contributions are recorded on actual receipt. The voluntary contributions are recorded in Umoja separately. The Office informed the Board that the Umoja fundraising module was not ready and did not cover the essential requirements of the Office.

642. The Office stated that it reported to donors based on United Nations System Accounting Standards and not IPSAS, and that they needed to monitor the annual donor income in relation to annual extrabudgetary funds and expenditure. In the absence of an appropriate budget tool and fundraising tool, the Office would be unable to issue internal and external financial reports, manage its grants-in and cash, fundraise for the programme budget and monitor all its financial and budgetary activities.

643. While the Board appreciates that financial management systems must meet the specific business requirements of the entity, recording financial transactions outside Umoja and feeding them into Umoja manually at a later date not only is prone to human error, but also leads to duplication of effort in recording transactions and regularly monitoring and reconciling them.

644. **The Board recommends that the Office expedite the roll-out of the Umoja Extension 2 grantor-country-based pooled funds grant management system bridge and explore its utility and customization for the Central Emergency Response Fund to reduce manual interventions in the recording of financial transactions and the preparation of trial balances.**

645. The Administration agreed with the recommendation and stated that it would continue its engagement with the Umoja Extension 2 grantor team to roll out the country-based pooled funds grant management system Umoja Extension 2 grantor bridge. The Office for the Coordination of Humanitarian Affairs would build upon the implementation for the ongoing ONE grant management system architecture to benefit both the Central Emergency Response Fund and the country-based pooled funds.

J. Management disclosures

Write-off of losses of cash, receivable and property

646. The Administration informed the Board that it had formally written off property, plant and equipment with a net cost of $4.46 million and receivables of $6.28 million, which included voluntary contributions of $5.97 million. In addition, the Administration informed the Board that write-offs related to staff members and individuals amounted to $0.05 million.

Ex gratia payments

647. The Administration reported that, in accordance with financial regulation 5.11, an amount of $21,412 had been paid as an ex gratia payment during the year ended 31 December 2019.

Cases of fraud and presumptive fraud

648. In accordance with the International Standards on Auditing (ISA 240), the Board plans its audits of the financial statements so that it has a reasonable expectation of identifying material misstatements and irregularity (including those resulting from fraud). Its audit should not, however, be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.

649. During the audit, the Board makes enquiries of the Administration regarding its oversight responsibility for assessing the risks of material fraud and the processes in place for identifying and responding to those risks, including any specific risks that management has identified or that have been brought to its attention. The Board also enquires whether the Administration has any knowledge of any actual, suspected or alleged fraud. The Board identified no instances of fraud in its audit, and no cases came to its attention through its testing.

650. For 2019, the Administration reported 147 cases of fraud or presumptive fraud, with an estimated amount of $6.34 million in 29 cases. For the rest of the cases, the estimated amount was categorized as "undetermined" or "unknown" in the report provided to the Board.

Reporting of fraud and presumptive cases of fraud

651. The Office of Programme Planning, Finance and Budget shared with the Board a report on fraud and presumptive fraud cases in 2019 and updated the status of previously reported cases. An analysis of the data provided is shown below.

Table II.12
Cases of fraud and presumptive fraud

	Fraud	*Presumptive fraud*
No. of cases	13	134
No. of cases in which investigation was completed	8	–
No. of cases pending or under investigation	5	134
No. of cases in which the amount of fraud or presumptive fraud was estimated	8	21
Estimated amount of fraud or presumptive fraud (millions of United States dollars)	0.26	6.08

652. Of the 13 fraud cases included in the report, 8 cases were reported between the period 20 March 2018–27 December 2018 but were included only in the report of 2019. Of the 134 presumptive fraud cases included in the report, 15 cases were reported between the period 27 February 2018–2 December 2018 but were included in the report of 2019. The Administration replied that those 23 fraud and presumptive fraud cases were local cases that had been reported by offices to the Office of Programme Planning, Finance and Budget after submission of the 2018 presumptive fraud and fraud report to the Board and hence included in the report of 2019. The Administration's reply indicates a time lag of over a year in the reporting of fraud and presumptive fraud cases by the Office of Programme Planning, Finance and Budget, as cases from February and March 2018 were not included in the 2018 report, shared with the Board in March 2019, and included only in the report of 2019, shared in March 2020.

653. Similarly, of the 49 cases included in the report on the update of previously reported cases, 2 cases were shown as reported or detected during 2019, including a case shown as reported in November 2019. The Administration explained that those two cases had already been reported by the entity in 2018 but were reported to OIOS in 2019 and, hence, included in the update on previously reported cases.

654. Further, in the data shared by the Administration on fraud cases, the Board noticed that both the month and the year of starting and ending investigations were available in only one of the eight completed cases.

655. The Board noted that the existing mechanism of initially reporting fraud and presumptive fraud cases locally and then later reporting them to the Office of Programme Planning, Finance and Budget was not effective and led to belated reporting of cases of fraud and presumptive fraud to the Board. Moreover, complete details of investigation are not available.

656. **The Board recommends that the Administration strengthen controls to ensure that entities report details of fraud or presumptive fraud as soon as it comes to their notice to facilitate prompt reporting of fraud and presumptive cases and to strengthen monitoring of reported cases by OIOS.**

657. The Administration accepted the recommendation.

658. The Board noticed that all the 134 presumptive cases, including the case reported in February 2018, and 5 of the 8 fraud cases from 2019, were still under investigation. Further, 22 of the previously reported 49 cases were still under investigation, of which 17 cases had been under investigation for more than 12 months.

659. The Administration informed the Board that the administrative instruction on unsatisfactory conduct, investigations and the disciplinary process (ST/AI/2017/1) did not stipulate a time frame for completing the process and that all entities were working hard to conduct the necessary actions as soon as possible.

660. **The Board recommends that the Administration explore stipulating a time frame to guide the conduct of investigations and also ensure close monitoring of the progress of investigations.**

661. The Administration accepted the recommendation and explained that the time taken to complete individual investigations was dependent to a large extent on factors unique to each case. Further, the Administration explained that OIOS had set an internal target to complete its investigations within 12 months and aspired to reduce that to 6 months and that OIOS had also set specific targets for particular types of investigations.

K. Acknowledgement

662. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Under-Secretary-General of the Department of Management Strategy, Policy and Compliance and the management and staff of the United Nations at all the locations it visited and audited.

(*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors
Chair of the Board of Auditors

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor General of India
(Lead Auditor)

(*Signed*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile

21 July 2020

Annex I

Status of implementation of recommendations up to the year ended 31 December 2018 (volume I)

						Status after verification			
No.	*Audit report year/ biennium*	*Report reference*	*Recommendation of the Board*	*Administration's response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
1	2008–2009	A/65/5 (Vol. I), chap. II, para. 437	The Board recommended that the Administration take appropriate measures to ensure that the "Carbon" project is interfaced with Umoja.	The workplan for Umoja integration with the conference and event management system is under review. On the basis of the outcome of the review, update and prioritization of the workplan, the technical requirements will be established, and this integration will be incorporated into the Umoja/Department for General Assembly and Conference Management workplan, as appropriate.	The Board notes the status provided by the Administration and considers this recommendation to be under implementation.		X		
2	2010–2011	A/67/5 (Vol. I), A/67/5 (Vol. I)/Corr.1 and A/67/5 (Vol. I)/Corr.2, chap. II, para. 145	The Board recommended that the Administration: (a) develop more outcome-focused objectives and indicators of achievement; (b) establish clear chains from indicators of resource use and activity, through indicators of output to achievement of high-level objectives; and (c) make subparagraphs (a) and (b) above a clearly articulated responsibility of the Under-Secretaries-General for their respective departments.	The 2020 proposed programme budgets were reviewed by the Advisory Committee on Administrative and Budgetary Questions, the Committee for Programme and Coordination and the Fifth Committee, and subsequently approved. The recommendations of the relevant committees are being implemented in the context of the 2021 proposed programme budget.	The Board notes the status provided by the Administration and considers this recommendation to be under implementation.		X		
3	2012–2013	A/69/5 (Vol. I), chap. II, para. 29	The Board recommended that the Administration establish how and under what time frame it would be able to more closely link budget consumption with what has been delivered in terms of outputs and outcomes; and with this aim in mind, set out a detailed plan for embedding results-based management as part of business as usual, defining clear responsibilities and resources.	The 2020 proposed programme budgets were reviewed by the Advisory Committee on Administrative and Budgetary Questions, the Committee for Programme and Coordination and the Fifth Committee, and subsequently approved. The recommendations of the relevant committees are being implemented in the context of the 2021 proposed programme budget.	The Board notes the status provided by the Administration and considers this recommendation to be under implementation.		X		

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
4	2012–2013	A/69/5 (Vol. I), chap. II, para. 44	The Board recommended that the Administration develop plans for the production of monthly management accounts and improved financial reports to management, drawing on the opportunities being provided by IPSAS and the new enterprise resource planning system.	The Administration has implemented monthly internal control dashboards. Feedback on the dashboards and suggestions for improvement are also analysed on a monthly basis.	The Board notes the Administration's response and will carry out a verification of the new dashboard during its next audit. The recommendation is therefore considered to be under implementation.		X		
5	2012–2013	A/69/5 (Vol. I), chap. II, para. 48	The Board recommended that the Administration, as part of its work on enterprise risk management, develop a strategy to enhance the accountability and internal control framework, including the development of a "statement on internal control" or equivalent document. This replaced the Board's previous recommendation on internal control (A/67/5 (Vol. I), A/67/5 (Vol. I)/Corr.1 and A/67/5 (Vol. I)/ Corr.2, chap. II, para. 171).	The statement of internal control activities are in progress; the launch of the statement is planned to be launched during the first quarter of 2021.	The Board notes the status provided by the Administration and considers this recommendation to be under implementation.		X		
6	2012–2013	A/69/5 (Vol. I), chap. II, para. 56	The Board recommended that the Administration develop a deeper understanding of its cost base and therefore the capability to compare and benchmark its administrative overheads and the performance of its business functions to drive more cost-effective delivery. This might entail creating a general ledger of analysis codes for administrative and programme expenditure (and classifying each transaction to the appropriate code).	With the implementation of the strategic programme and budget planning module in Umoja Extension 2, the envisioned solution will have a significant transformational potential for the Organization, capturing the entire cycle comprising strategic planning, budgeting, execution and monitoring and reporting across funding sources (i.e. regular budget, peacekeeping, extrabudgetary resources and cost recovery). The solution will replace a disparity among systems with an integrated end-to-end solution, with dashboards for strategic and operational management, and alerts triggered by milestones and key performance indicators for proactive interventions.	The Board takes note of the response of the Administration and considers this recommendation to be under implementation.		X		

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Implemented	Under implementation	Not implemented	Overtaken by events
				Programme managers and the Organization will be able to compile strategic plans across funding sources, link programmatic and financial information, evaluate, track and adjust progress and performance, cost outputs; and link internal and external data sources to report on outcomes.					
7	2012–2013	A/69/5 (Vol. I), chap. II, para. 77	The Board also recommended that the Administration perform a review of the budget process and implement an improved end-to-end budget process, including the information and communications technology elements of Umoja Extension 2.	In addition to the Administration's comments in A/74/5 (Vol. I), the 2021 proposed programme budget is being prepared using the business planning and consolidation solution that has more functionality, compared with when it was rolled out in February 2019. The format of the 2021 proposed programme budget is also being revised to take into account decisions of the General Assembly.	The Board notes the status provided by the Administration and considers this recommendation to be under implementation.		X		
8	2012–2013	A/69/5 (Vol. I), chap. II, para. 114	The Board recommended that the Office for the Coordination of Humanitarian Affairs work with other United Nations entities to establish formal requirements for information-sharing on the performance of implementing partners in each country office.	This recommendation is being addressed comprehensively and in a holistic manner in the context of the recommendations relating to implementing partners, contained in paragraphs 264, 269 and 270 in chapter II of A/71/5 (Vol. I), as part of the implementation of the grant management module of Umoja Extension 2.	As informed by the Office for the Coordination of Humanitarian Affairs, given that information-sharing among the United Nations entities about the implementing partners is still being addressed, the recommendation is considered to be under implementation.		X		
9	2012–2013	A/69/5 (Vol. I), chap. II, para. 125	The Board recommended that the Office for the Coordination of Humanitarian Affairs accelerate implementation of the improved controls established in the global guidance and accountability framework. This should be done with a more risk-based and flexible approach to the management of implementing partners in country operations	The Office for the Coordination of Humanitarian Affairs has implemented a series of improved risk-based controls and has been serving as the managing agent for all 18 country-based pooled funds as from January 2020. The Office has undertaken a human resources review to identify the criteria for determining the number and profile of	As reported by the Office for the Coordination of Humanitarian Affairs, the actions taken by the Administration after this recommendation with regard to implementing information systems and risk-based controls established in the global guidance and	X			

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			involving: (a) risk assessments to vet implementing partners to create a pool of trusted suppliers; (b) revised funding arrangements where high-risk implementing partners receive an initial payment lower than the current initial 80 per cent payment; (c) enhanced monitoring arrangements where, for example, high-risk projects should be subject to interim audits/ inspections using audit access rights, while monitoring of lower-risk projects could be based on visits from regional staff; and (d) working with the Office of Legal Affairs to strengthen the current memorandum of understanding between the Office for the Coordination of Humanitarian Affairs and implementing partners.	staff required for optimally managing the country-based pooled funds.	accountability framework has improved. This effort has led to improved monitoring compared with the context in which this recommendation was made. In addition, the Office has been able to consolidate the country-based pooled funds under a single management arrangement. Given all these developments and the improvement in relative terms, the Board considers this recommendation to have been implemented.				
10	2012–2013	A/69/5 (Vol. I), chap. II, para. 143	The Board recommended that the Administration support the development of OIOS as a central expert resource to support and work with departments to assess, analyse and act upon all significant fraud risks.	Following the implementation of the management reforms, this recommendation has been overtaken by events, in particular by the establishment of a dedicated enterprise risk management team in the Business Transformation and Accountability Division of the Department of Management Strategy, Policy and Compliance.	The Board notes the response of the Administration and considers the recommendation to have been overtaken by events.				X
11	2012–2013	A/69/5 (Vol. I), chap. II, para. 148	The Board recommended that the Administration establish a central intake mechanism for all reporting of staff grievances and suspected fraud, allowing the cases to be properly screened and assessed and sent to the right part of the Organization for action,	Central intake mechanisms are in place for both staff grievances and fraud, including through the Ethics Office retaliation helpline, the Office of Internal Oversight Services hotline and the "Speak Up" harassment helpline, with data collected through each of the central intake mechanisms.	The recommendation had been made because the absence of a single point of contact for reporting fraud cases led to inconsistency in the evaluation of cases at the first instance. The Board noted that there is no			X	

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			and facilitating improved data collection.		central intake mechanism, even now. Hence, the recommendation is considered to be not implemented.				
12	2012–2013	A/69/5 (Vol. I), chap. II, para. 151	The Board recommended that the Administration develop a framework of actions and arrangements for the systematic legal pursuit of all proven cases of fraud.	Over the past years, the Administration has communicated to the Board the details of its systematic pursuit of alleged fraud by United Nations officials, experts on mission and any other related personnel. The Administration disagrees with the Board's assessment of gaps in its response to such allegations.	The Board acknowledges the response of the Administration and notes that more cases relating to United Nations officials and experts on mission are being referred to Member States and followed up. The Board considers the recommendation to have been implemented.	X			
13	2012–2013	A/69/5 (Vol. I), chap. II, para. 159	The Board recommended that the Administration develop an integrated strategic approach to tackling fraud, drawing on the many practical examples of good practice being adopted across the world and adapting these to the Organization's circumstances. The first step would be assessing and understanding the type and scale of fraud threats the United Nations was exposed to.	This recommendation and the one contained in paragraph 303 of A/73/5 (Vol. I) are closely related, and the Secretariat has been taking a step-by-step approach to close them by the issuance of the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat in 2016 and the conduct of a fraud and corruption risk assessment in 2017. In addition, in the context of updating the Secretariat-wide risk assessment, during which fraud was identified as one of the risks affecting the Organization and the anti-fraud risk assessment was streamlined therein, the Secretariat reviewed the investigation reports by the Office of Internal Oversight Services from the period 2014–2018 and identified the most common sources of fraud and corruption as implementing partners, procurement rigging, theft, bribery, benefits and allowances, and medical insurance fraud.	The Board notes the steps taken by the Administration to implement the recommendation and the assessment of management that the next steps are expected to be finalized by the first quarter of 2021. The Board consider the recommendation to be under implementation.		X		

No.	*Audit report year/ biennium*	*Report reference*	*Recommendation of the Board*	*Administration's response*	*Board's assessment*	*Status after verification*			
						Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
				The next step consists of establishing a working group with the objective of preparing anti-fraud and anti-corruption guidelines: These guidelines are intended to provide United Nations personnel with insight into how fraud and corruption manifest themselves in the Secretariat and outline the structures in place to deter and detect fraud and corruption and the mechanisms and actions undertaken by the Organization to prevent, detect, deter, respond to and report on fraud and corruption. The anti-fraud and anti-corruption strategy will include a set of specific actions to be implemented to protect the United Nations and its operations from fraud and corruption, with the objective of increasing awareness throughout the Organization on the subject matter, strengthening the capacity of managers to prevent, detect and act on cases of fraud and corruption, improving the reporting mechanisms for suspected actions, strengthening the existing systems for corrective actions, and avoiding a recurrence of actions of this nature within the Organization. These efforts are expected to be finalized by the first quarter of 2021.					
14	2012–2013	A/69/5 (Vol. I), chap. II, para. 164	The Board recommended that the Administration develop a medium- to long-term strategic workforce strategy and operational workforce plans. These should be informed by a review of the Organization's strategy that identifies any gaps in headcount, grades, knowledge and skills.	The Office of Human Resources is in the process of developing a strategic workforce planning framework. A guide for operational workforce planning will be published soon, which will address part of the recommendation. The Human Resources Services Division is revising the operational workforce planning guidelines for client entities, which are expected to be completed by the third quarter of 2020. As part of this effort, the	The Board notes the steps taken by the Administration to implement the recommendation and the assessment of management that the next steps are expected to be finalized by the first quarter of 2021. The Board consider the		X		

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				Division also focusing on the current talent pool, which includes the generic roster and the young professionals programme to ensure that processes and procedures align with the supply and demand of client entities and to meet the entities' current and future needs.	recommendation to be under implementation.				
15	2012–2013	A/69/5 (Vol. I), chap. II, para. 169	The Board recommended that the Administration establish performance measures of the effectiveness of the recruitment process around getting "the right person, with the right skills, to the right position, at the right time and at the right cost".	The Administration notes that this recommendation is the result of observations related to recruitment timelines in the various steps of the recruitment process. Since the Business Transformation and Accountability Division began to monitor recruitment timelines across the Secretariat entities, as from 1 January 2019, the recommendation is considered to have been implemented. In addition, the Division's monitoring activity relates to the other dimensions alluded to in the recommendation, such as gender parity and geographical balance. Other qualitative aspects of the recruitment process are covered through the recruitment steps described in administrative instruction ST/AI/2010/3, which include assessment mechanisms and the review of resulting recommendations by the Central Review Board, to achieve the hiring of "the right person, with right skills, to the right position, at the right time and at the right cost". The Administration requests the Board to close this recommendation.	The Board notes that the Business Transformation and Accountability Division is monitoring the exercise of delegated decision-making authority through 16 key performance indicators, 3 of which pertain to human resources, including 1 pertaining to the timeliness of staff recruitment. The Board also notes that the Administration is in the process of reviewing the key performance indicators and looks forward to more performance measures, as recommended. The Board consider the recommendation to be under implementation.		X		
16	2012–2013	A/69/5 (Vol. I), chap. II, para. 170	The Board recommended that the Administration perform an end-to-end review of the recruitment process to identify opportunities to reduce the lead time to recruit from the point at which a vacancy occurs until the post is filled.	It is request that the recommendation be closed on the basis of the review done by the Human Resources Services Division. The latter launched an initiative in January 2019 aimed at reducing recruitment timelines from posting to selection by making recruitment in	On the basis of the action taken, the Board considers the recommendation to have been implemented.	X			

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				Inspira faster and easier. That "Quick Wins" initiative was focused on leveraging technology to make the existing recruitment process faster and easier. The Office of Human Resources continues to support these efforts to ensure consistency with established policy. In June 2019, the Division initiated a project to improve the onboarding process (period from selection of a candidate to entry on duty), with a focus on reducing timelines and enhancing the experience of key stakeholders in the process. This review paved the way for the development of a global guide on onboarding and staff movements, with the Office reviewing established policy, which was published on 2 June 2020 and serves as the basis for improvements in the process. In the context of both of these initiatives, a review of the process(es) has been undertaken with key entities (Headquarters-based entities, offices away from Headquarters, the regional commissions, service centres and peace operations) to identify bottlenecks, gaps and best practices.					
17	2012–2013	A/69/5 (Vol. I), chap. II, para. 177	The Board recommended that the Administration develop a skills strategy for staff based on an improved understanding of current capability and existing skills gaps, such as commercial skills for major projects, and on the skills required following the implementation of IPSAS and the roll-out of Umoja, such as professional training in financial management skills to lead financial management	The Office of Human Resources is part of the United Nations System Chief Executives Board for Coordination task force on the future of the United Nations system workforce that is assessing United Nations skills that will be needed in the future and mapping the external sources for those skills.	The Board notes the steps taken by the Administration towards the implementation of the recommendation and that the Administration has targeted the implementation of the recommendation for June 2021. The Board considers the recommendation to be under implementation.		X		

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			improvement and provide more strategic advisory services to the wider business.						
18	2014	A/70/5 (Vol. I) and A/70/5 (Vol. I)/Corr.1, chap. II, para. 40	The Board recommended that the Administration: (a) develop standard approaches and methodologies for measuring the costs of providing services to internal and external users; (b) identify how Umoja can support more transparent recording, analysis and reporting of the full costs of activities.	Service providers have been instructed to use one of the approved methods of cost recovery in Umoja for all cost-recovery activities (in line with the memo from the Controller dated 16 December 2014). The use of these methodologies ensures the transparent recording of services and allows for the monitoring and tracking of all cost-recovery activities in a single Umoja report. The Controller issues annual guidance and instructions, prior to the start of every financial year, regarding the operations of the cost-recovery funds.	During the most recent audit, it was noticed that costs were being determined in an ad hoc manner and that there were wide variations between the costs charged by various entities for the same activity. The Board considers this recommendation to be under implementation.		X		
19	2014	A/70/5 (Vol. I) and A/70/5 (Vol. I)/Corr.1, chap. II, para. 60	The Board recommended that the Administration examine the underlying causes of the differences in average claim costs to determine whether there is scope to reduce the costs of administering the health insurance schemes.	The pending audit of the claims will identify the causes for the differences in average claim costs. At this stage, the statement of work has been finalized and the request for proposals for the claims audit is expected to be issued by the end of 2020.	The Board has noted the response of Administration that the pending audit of the claims will identify the causes for the differences in average claim costs. Given that the request for proposals for the claims audit is expected to be issued by the end of 2020, the Board considers this recommendation to be under implementation.		X		
20	2014	A/70/5 (Vol. I) and A/70/5 (Vol. I)/Corr.1, chap. II, para. 64	The Board recommended that arrangements be made to conduct an open-book audit of the third-party administrators to provide assurance over the accuracy of reported costs and activities performed by the Administration's agents and to confirm that they have complied with their contractual obligations. The	The statement of work has been finalized and the request for proposals for the claims audit is expected to be issued by the end of 2020.	The Board has noted the comments of Administration that the statement of work has been finalized and the request for proposals for the claims audit is expected to be issued by the end of 2020. Hence, the Board considers this		X		

						Status after verification			
No.	*Audit report year/ biennium*	*Report reference*	*Recommendation of the Board*	*Administration's response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
			inspection rights under those contacts should be exercised regularly in future.		recommendation to be under implementation.				
21	2014	A/70/5 (Vol. I) and A/70/5 (Vol. I)/Corr.1, chap. II, para. 74	The Board reiterated its previous recommendation and encouraged the Secretariat to expedite work on developing workforce planning as a matter of urgency.	The Office of Human Resources of the Department of Management Strategy, Policy and Compliance and the Human Resources Services Division of the Department of Operational Support continue to collaborate in this area. A pilot project has been developed and conducted in the Office of Legal Affairs and in the Medical Services Division. Please also see the Administration's comments on the recommendation contained in paragraph 164 of A/69/5 (Vol. I).	The Board notes the steps taken by the Administration towards the implementation of the recommendation and that the Administration has targeted the implementation of the recommendation for June 2021. The Board considers the recommendation to be under implementation.		X		
22	2014	A/70/5 (Vol. I) and A/70/5 (Vol. I)/Corr.1, chap. II, para. 80	The Board recommended that the Secretariat: (a) develop an appropriate mechanism to ensure that budget and human resources functions currently handled in silos by the Office of Human Resources Management and the Office of Programme Planning, Budget and Accounts are better coordinated to improve strategic human resources planning; (b) review job profiles to ensure that each post is categorized within an appropriate job family and network using a common standard classification system; and (c) consider the scope for developing a workforce planning module in the scope of Umoja.	With the implementation of Umoja, all business processes are integrated, including budget, finance, human resources and the supply chain. The mechanisms have been put into place and a review of job family and job codes was undertaken. Parts (a) and (b) of the recommendation have been implemented. With respect to part (c), please refer to the Administration's comments on the recommendations contained in paragraph 164 of A/69/5 (Vol. I) and paragraph 74 of A/70/5 (Vol. I).	The Board notes the steps taken by the Administration towards the implementation of the recommendation and considers the recommendation to be under implementation.		X		
23	2014	A/70/5 (Vol. I) and A/70/5 (Vol. I)/Corr.1, chap. II, para. 83	The Board recommended that the Administration review, update and rationalize the current delegations of authority.	Secretary-General's bulletin ST/SGB/2019/2 establishes the new delegation of authority framework. The Administration therefore requests closure of the recommendation, which is	ST/SGB/2019/2 was published for the purpose of decentralizing decision-making, aligning authorities with responsibilities and				X

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				overtaken by events in view of the establishment of the new framework.	strengthening accountability, and delegating to managers the managerial authority over human, financial and physical resources necessary to allow for effective management delivery. Hence, the recommendation is considered to have been overtaken by events.				
24	2014	A/70/5 (Vol. I) and A/70/5 (Vol. I)/Corr.1, chap. II, para. 84	The Board recommended that the Administration produce a consolidated policy document that clearly sets out delegations of authority and that the Office of Human Resources Management establish an assurance and oversight framework to monitor the exercise of delegated powers and ensure that they are exercised in conformity with the approved policy.	Secretary-General's bulletin ST/SGB/2019/2 establishes the new delegation of authority framework. In addition, the new accountability framework for monitoring the exercise of delegated decision-making authority became effective. The framework addresses oversight and compliance monitoring, based on the "three line of defence" model established in the report of the Secretary-General (A/72/492/Add.2, para. 63), as well as an ongoing review process based on a four-stage, continuous improvement cycle of "Plan, Do, Check, Act" in all functional areas, including in human resources, where the Business Transformation and Accountability Division monitors, on a daily basis, the exceptions to administrative instructions made by heads of entities. The Administration requests closure of the 2014 recommendation accordingly, which is overtaken by events in view of the establishment of the delegation of authority framework.	The new delegation of authority framework and the accountability framework are in place. Hence, the recommendation is considered to have been overtaken by events.				X

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25	2014	A/70/5 (Vol. I) and A/70/5 (Vol. I)/Corr.1, chap. II, para. 92	The Board recommended that the Office of Human Resources Management monitor the implementation of the Secretary-General's bulletin on employment and accessibility for staff members with disabilities in the United Nations Secretariat (ST/SGB/2014/3).	In 2019, a system-wide strategy to address increasing accessibility and the upholding of rights for people living with disabilities was launched. Ongoing activities include a joint United Nations and United Nations Development Programme online training initiative, with a working title of "Disability and inclusion in the workplace", and the updating of the learning framework for accessibility guidelines and requirements.	The Board notes the steps outlined by the Administration in its response. The Board also notes that the response does not detail how the Administration is monitoring the implementation of Secretary-General's bulletin ST/SGB/2014/3. The Board considers the recommendation to be under implementation.		X		
26	2014	A/70/5 (Vol. I) and A/70/5 (Vol. I)/Corr.1, chap. II, para. 93	The Board recommended that the Administration address gaps in access to data on sick leave for comprehensive and timely reporting and develop capability to gather information on key health-care parameters covering all its clients across the United Nations system for more comprehensive reporting on status and policy issues.	This recommendation is overtaken by events because it predates the implementation of Umoja, which records leave information centrally. Prior to the implementation of Umoja, the Organization had multiple decentralized systems developed in different technological platforms, including several instances of the legacy (and already decommissioned) Integrated Management Information System. Given these circumstances, it is requested that this recommendation be closed.	The response does not indicate the progress made towards the merger of Umoja approvals data and EarthMed data, which was said to be in progress (A/74/5 (Vol. I)). The Board considers the recommendation to be under implementation.		X		
27	2014	A/70/5 (Vol. I) and A/70/5 (Vol. I)/Corr.1, chap. II, para. 98	The Board recommended that the Office of Human Resources Management: (a) consider capturing information on the spans of control of first and second reporting officers with a view to identifying cases where such spans are unacceptably large compared with office norms; (b) consider the use of enhanced data analytics for additional dashboard reports that would facilitate analysis of individual performance grading	With respect to (a), the Office of Human Resources reviewed the spans of control of first and second reporting officers in its 2017–2018 and 2018–2019 annual compliance reports. Best practices indicate that first and second reporting officers should have 10 or fewer staff in their spans of control. The Office observed no change between 2017–2018 and 2018–2019 in the spans of control, which indicated that the majority of Secretariat managers (80 per cent) had between 1 and 5 staff reporting to them, 15 per cent had between 6 and 10 direct	The Board notes the steps taken by the Administration towards the implementation of the recommendation and that the Administration has targeted the recommendation for implementation by December 2021. The Board considers the recommendation to be under implementation.		X		

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			of individual employees; and (c) consider enhancing system applications to aggregate information on individual development plans and training activities to be undertaken.	reports and 5 per cent had too large of a span of control. The Office will carry out further analysis of the 5 per cent group, with a view to identifying those entities with large spans of control and determine the reasons for these situations, in an effort to identify alternate arrangements. With regard to (b), the Office is working with the Business Transformation and Accountability Division on the United Nations business intelligence project, which will enhance the availability of performance data, for review by heads of entities, including ratings or "gradings" distribution. With respect to (c), the Office has considered this recommendation but confirms that the current performance system is incapable of aggregating information on individual development plans and training activities to be undertaken owing to the "open-ended" nature of the personal development plan on the current performance document and to the fact that there is no singular approach to these very personal plans and potential ways of addressing them.					
28	2014	A/70/5 (Vol. I) and A/70/5 (Vol. I)/Corr.1, chap. II, para. 104	The Board recommended that the Office of Human Resources Management expedite the progress and resolution of disciplinary cases and develop a centralized monitoring system to track the number of ongoing investigations of alleged misconduct from the stage when a complaint is formally lodged or recommended by OIOS.	Please refer to the Administration's comments on the recommendation contained in paragraph 324 of A/73/5 (Vol. I), given that both recommendations are closely related.	The Board noted the response of the Administration to paragraph 324 of A/73/5 (Vol. I) and that the Administration was expecting the Secretariat-wide case management tracking system to be rolled out by the first quarter of 2021. The Board considers the		X		

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					recommendation to be under implementation.				
29	2014	A/70/5 (Vol. I) and A/70/5 (Vol. I)/Corr.1, chap. II, para. 122	The Board recommended that the Secretariat: (a) develop detailed enterprise risk management policies and procedures for staff to follow at departmental levels of the Organization to supplement the guidance in place for managing the critical enterprise risks; (b) develop a detailed implementation plan for all elements of enterprise risk management that sets out a clear timetable, milestones, deliverables and resources required; (c) increase the level of communication and training provided to staff on enterprise risk management policies and procedures; (d) consider the acquisition of appropriate tools, including software, to support the implementation of enterprise risk management; and (e) introduce regular progress reports to inform the Management Committee of the status of implementation of enterprise risk management throughout the Organization and to provide assurance that risks are being managed and mitigated effectively.	The new Secretariat-wide risk register that was completed in 2019 includes risk definitions, a full analysis of key risk drivers, a description of the controls already established by management and an outline of potential risk response strategies. Following the approval of the Secretariat-wide risk registers by the Management Committee, corporate risk owners will be identified to develop risk treatment and response plans that will set specific risk treatment actions and implementation timelines. The document will also provide strategic guidance on the development of local risk registers at the entity level. The guide for managers and several communication and training programme, as well a dedicated enterprise risk management electronic tool, are being developed and maintained to support the Organization-wide implementation process.	The Board notes the progress made in the implementation of the recommendation and that approval of the risk register by the Management Committee and subsequent steps are still to be implemented. Hence, the Board considers the recommendation to be under implementation.		X		
30	2014	A/70/5 (Vol. I) and A/70/5 (Vol. I)/Corr.1, chap. II, para. 128	The Board reiterated its previous recommendations on fraud and strongly encouraged management to take concerted and urgent action to strengthen its counter-fraud policies and procedures.	As recommended by the Board, the fraud and corruption risk assessment was updated and streamlined with the Secretariat-wide risk assessment. In order to take concerted and urgent action to strengthen its counter-fraud policies and procedures, the Administration	The Board notes the progress made in the implementation of the recommendation and that approval of the risk register by the Management Committee		X		

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				proposed the establishment of a working group to prepare the anti-fraud and anti-corruption guidelines and an anti-fraud and anti-corruption strategy. These documents will provide United Nations staff with insight into how fraud and corruption manifest themselves in the Secretariat and outline the measures to strengthen the existing systems for corrective action and to avoid the recurrence of acts of this nature within the Organization.	and subsequent steps are still to be implemented. Hence, the Board considers the recommendation to be under implementation.				
31	2014	A/70/5 (Vol. I) and A/70/5 (Vol. I)/Corr.1, chap. II, para. 142	The Board recommended that the Administration continue to enhance its procurement and contract management capability by continuing its efforts to develop a career path for procurement professionals. This should include further training and other avenues, for example outward secondments, and the continued recruitment of procurement professionals.	The Secretariat will continue to enrol staff in a range of procurement certification courses. The Administration completed the following: (a) Ensure access by staff to the most recent version of the Procurement Practitioner's Handbook; (b) Encourage section chiefs and chief procurement officers to discuss career opportunities in the Organization during the e-performance cycle; (c) Apprise procurement staff of continuous professional training opportunities that are available in the United Nations common system, which may be accessed within existing resources; (d) Promote the networking of staff of United Nations system counterparts so that they become familiar with policy and best practice initiatives in the common system and so that these updated initiatives may be analysed for incorporation into the Secretariat, where feasible. Furthermore, the Administration has made a professional certification in the	The Administration stated that career development had been discussed by section chiefs with the staff members concerned at least in two areas – professionalism and continuous learning, – against which the staff member was also assessed and marked. Job openings in the area of procurement with other United Nations system entities are shared with Procurement Division staff. A total of 98 staff members have attained or are in the process of attaining a professional certification in the area of procurement. A total of 146 staff members have attained or are in the process of attaining a level 4 or 5 certification. The recommendation is considered to have been implemented.	X			

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				area of procurement mandatory for all staff by 1 January 2021 and will employ its best efforts to support such certification efforts. The Administration initiated the corporate programme across the Secretariat with two informational webinars, in November and December 2019, with a third one on 15 January 2020. Participants in those webinars included training officers, chiefs of supply chain and other staff member who were interested in learning about the programme.					
32	2014	A/70/5 (Vol. I) and A/70/5 (Vol. I)/Corr.1, chap. II, para. 178	The Board recommended that the Administration strengthen its efforts to monitor and enforce compliance with the 16-day advance purchase rule by special political missions, including by developing a suite of management information reports that provide key information on the date of ticket purchases, the class of travel and the cost of flights.	The original recommendation, which required the Administration to "strengthen its efforts to monitor and enforce compliance with the 16-day advance purchase rule by SPMs", was implemented, and not only for special political missions, as a result of the new delegation of authority framework established in 2019 (Secretary-General's bulletin ST/SGB/2019/2 and the accountability framework for monitoring the exercise of delegated decision-making authority). The Board's most recent comment amends the original recommendation because it asks instead for "compliance with the 16-day advance purchase rule … to be fully adhered to". Of note, this 2014 recommendation is overtaken by the more recent recommendation of the Board: "The Board recommends that the Administration further refine the non-compliance categories and differentiate tolerance levels for non-compliance based on nature of travel and the traveller. The Administration should also guide the traveller to respond to travel management company requests promptly	The recommendation of the Board was to strengthen efforts to monitor and enforce compliance with the 16-day advance purchase rule. The Board notes the efforts to monitor the compliance through the key performance indicators designed as part of the accountability framework for monitoring the exercise of delegated decision-making authority. However, on the basis of the report on the delegation of authority key performance indicators for the first half of 2019, which is the most recent one available, the Board notes that compliance with the rule during the second quarter was only 39 per cent. This needs to be		X		

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				to ensure better compliance with the advance ticketing policy" (A/74/5 Vol. I, para. 351). Accordingly, the Administration requests closure of the 2014 recommendation.	further improved. Hence, the recommendation is considered to be under implementation.				
33	2014	A/70/5 (Vol. I) and A/70/5 (Vol. I)/Corr.1, chap. II, para. 197	The Board recommended that the Administration establish a formal approach to managing and improving operations to enable continuous reform and improvement in departments.	Following the management reform, closure is requested because a formal approach to managing and improving operations to enable continuous reform and learning has been implemented, through enablers and mechanisms, including enterprise risk management, results-based management, self-evaluation, capacity-building and the Management Client Board.	The Board notes that one of the elements of management responsibility and accountability presented as part of the management reforms is continuous improvement, and that enablers and mechanisms have been created for giving effect to continuous improvement. The Board considers the recommendation to have been implemented.	X			
34	2015	A/71/5 (Vol. I), chap. II, para. 56	The Board recommended that the Administration improve scrutiny of open commitments at year-end by providing more detailed guidance on how staff should establish the need to retain them.	The Administration continues to consider this recommendation to have been implemented and will continue its strengthened review and monitoring of commitments.	The Board observed that no further comment or document was furnished by the Administration after what had been provided in A/74/5 (Vol. I). In view of this, the Board considers this recommendation to be under implementation.		X		
35	2015	A/71/5 (Vol. I), chap. II, para. 57	The Board recommended that the Administration review open commitments during the year, in particular at year-end, to challenge any that appear to be retained unnecessarily.	The Administration continues to consider this recommendation to have been implemented and will continue its strengthened review and monitoring of commitments.	The Board observed that no further comment or document was furnished by the Administration after what had been provided in A/74/5 (Vol. I). In view of this, the Board considers this		X		

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					recommendation to be under implementation.				
36	2015	A/71/5 (Vol. I), chap. II, para. 90	The Board reiterated its previous recommendation that the Administration establish how and under what time frame it would be able to more closely link budget consumption with what was delivered in terms of outputs and outcomes, and that it set out a detailed plan embedding results-based management as part of business as usual, defining clear responsibilities and resources.	This recommendation is under implementation, with a target date of December 2022.	The Board notes the Administration's response and considers this recommendation to be under implementation.		X		
37	2015	A/71/5 (Vol. I), chap. II, para. 99	The Board recommended that the Administration accelerate its current process of strengthening the performance measures used by departments to measure and report results.	This recommendation is under implementation, with a target date of December 2022.	The Board notes the Administration's response and considers this recommendation to be under implementation.		X		
38	2015	A/71/5 (Vol. I), chap. II, para. 112	The Board recommended that the Administration set out a detailed plan for how it could make best use of current resources to improve evaluation across the Secretariat, including the level and types of reviews it needed to undertake, the skills and capacity required to perform them, and how it could learn lessons from existing approaches to cost effectively support staff to perform self-evaluations by, for example, training staff in standard evaluative tools and techniques.	The Secretary-General, recognizing that the quality of the evaluation functions and outputs varied markedly across programmes and an effort to address those shortcomings, outlined his intention to strengthen the self-evaluation capacity of the Secretariat, including through the formulation of a Secretariat evaluation policy and the creation of a small central evaluation support section in the Business Transformation and Accountability Division of the Department of Management Strategy, Policy and Compliance (A/72/492, para. 61). The Evaluation Section is working closely with the Office of Internal Oversight Services, which is responsible for the quality, standards and conduct of evaluations in the Secretariat, to finalize a Secretariat evaluation policy that	The Board notes that the Administration has set up an evaluation section in the Business Transformation and Accountability Division of the Department of Management Strategy, Policy and Compliance and that work on the preparation of a Secretary General's bulletin on evaluation is under way. In view of the above, the recommendation is considered to have been overtaken by events.				X

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				provides governance arrangements and accountability, as well as performance standards for Secretariat evaluation functions and requirements for the conduct and use of evaluations. The Administration has provided an update to the Board on the draft evaluation policy and support approach in the context of its current audit of management reforms and requests the Board to consider this recommendation to have been overtaken by events.					
39	2015	A/71/5 (Vol. I), chap. II, para. 122	The Board recommended that the Administration ensure that the rental charge is an accurate representation of current market rates in each location.	The Administration again notes that, on the basis of the findings of the rental working group, Headquarters, offices away from Headquarters and the regional commissions are charging current local market rates. The Administration requests closure of this recommendation.	The Board notes the response of the Administration and observes that formalization of the requirement for duty stations to periodically revise rental rates on the basis of market conditions and documents demonstrating the revision of rates based on different rental reports submitted, are pending. The Board therefore considers this recommendation to be under implementation.		X		
40	2015	A/71/5 (Vol. I), chap. II, para. 126	The Board recommended that the Administration review the completeness of data in the Umoja real estate module and ensure that adequate controls are in place to assure data quality.	Implementation of this recommendation remains in progress and remains on target for completion by the stated target date.	The Board notes the status provided by the Administration and considers this recommendation to be under implementation.		X		
41	2015	A/71/5 (Vol. I), chap. II, para. 131	The Board recommended that the Administration perform utilization studies across the main locations of the Secretariat to identify the required size and	The Administration requested closure of this recommendation and invites the Board to review the relevant utilization studies performed.	The Board notes the response of the Administration, that the relevant utilization studies are awaited and		X		

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			composition of the estate to better support future requests for funding.		that only reports of the Secretary-General containing references to these studies have been provided. In addition, utilization studies for the Economic Commission for Africa and the Economic and Social Commission for Western Asia have not been submitted to the Administration, and there is no reference to utilization studies for the United Nations Office at Vienna. The Board therefore considers this recommendation to be under implementation.				
42	2015	A/71/5 (Vol. I), chap. II, para. 135	The Board recommended that the Administration establish standard cost categories for use by each duty station to improve transparency and enable reporting of "cost of the estate per staff member" at each location.	Implementation of this recommendation remains in progress and remains on target for completion by the stated target date. Development of additional reporting functionality within Umoja is in progress.	The Board notes the Administration's response and considers this recommendation to be under implementation.		X		
43	2015	A/71/5 (Vol. I), chap. II, para. 137	The Board recommended that the Administration establish a standard format for proposing maintenance budgets to improve comparability across duty stations.	The Administration notes that a standard format for proposing maintenance budgets is established and is in use, and kindly requests closure of this recommendation.	The Board notes the status provided by the Administration and considers this recommendation to have been implemented.	X			
44	2015	A/71/5 (Vol. I), chap. II, para. 141	The Board recommended that the Administration design a common set of performance metrics to help benchmark performance across each duty station.	Implementation of this recommendation remains in progress and remains on target for completion by the stated target date. Development of additional reporting functionality within Umoja is in progress.	The Board notes the Administration's response and considers this recommendation to be under implementation.		X		

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45	2015	A/71/5 (Vol. I), chap. II, para. 143	The Board recommended that the Administration design a common set of performance measures to improve consistency of reporting to Member States.	Implementation of this recommendation remains in progress and remains on target for completion by the stated target date. Development of additional reporting functionality within Umoja is in progress.	The Board notes the Administration's response and considers this recommendation to be under implementation.		X		
46	2015	A/71/5 (Vol. I), chap. II, para. 157	The Board recommended that the Administration formalize use of the Overseas Property Management Unit project management guidelines on all major construction projects.	The Administration notes that use of the guidelines is in use by the five major projects under way and that the guidelines are published online. The Administration kindly request that this recommendation be closed.	The Board notes the status provided by the Administration and that the guidelines remain advisory, in the absence of any administrative instruction to enforce their formalized use. The Board therefore considers this recommendation to be under implementation.		X		
47	2015	A/71/5 (Vol. I), chap. II, para. 160	The Board recommended that the Administration consider how best to improve the consistency of estate management by: (a) developing a global estate strategy; or (b) defining a standard approach to developing local estate strategies, ensuring that the impacts of wider business transformation initiatives on future estate requirements are taken into account.	The Administration notes that the strategic capital review includes an estates strategy.	The Board notes the Administration's response and considers this recommendation to be under implementation.		X		
48	2015	A/71/5 (Vol. I), chap. II, para. 166	The Board recommended that the Office of Human Resources Management strengthen its performance monitoring mechanisms, including re-establishing the Performance Review Group as proposed, to improve the performance of entities that did not achieve targets on staff recruitment times,	Following the management reforms, as described in A/72/492 and A/72/492/Add.2, the monitoring mechanisms previously performed by the Performance Review Group have been replaced by Business Transformation and Accountability Division monitoring of delegated authorities through key performance indicators on recruitment timelines, vacancy rates and the completion of performance appraisals.	The Board notes the response of the Administration and that it has developed an accountability framework for monitoring the implementation of delegated decision-making, which includes three key performance indicators in respect of	X			

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			vacancy rates and completion of performance appraisals.	Given that the Performance Review Group no longer exists following the management reforms, this portion of the recommendation is deemed to have been overtaken by events.	human resources functions. In view of the developments, the Board considers the recommendation to have been implemented.				
49	2015	A/71/5 (Vol. I), chap. II, para. 169	The Board recommended that the Administration develop indicators for handling disciplinary cases. These indicators should cover: (a) the proportion of referrals that lead to a case being initiated; (b) the length of time between referral and case initiation; (c) overall case duration; and (d) case outcomes. The indicators should be used to support improvements in the processes for referring and handling cases.	Please refer to the Administration's comments on the recommendation contained in paragraph 324 of A/73/5 (Vol. I), given that both recommendations are closely related.	The Board notes that the recommendation contained in paragraph 324 of A/73/5 (Vol. I) was on the introduction of an end-to-end monitoring system capable of tracking all cases across offices, from the time of the receipt to the time of their final disposal. The recommendation does not relate to the development of indicators to monitor the cases, which is the subject of the current recommendation. The Board looks forward to responses from the Administration to this recommendation and considers the recommendation to be not implemented.			X	
50	2015	A/71/5 (Vol. I), chap. II, para. 186	The Board recommended that the Office of Human Resources Management: (a) analyse the additional capabilities required of Umoja to better implement the mobility framework, incorporating features such as the capture of baseline data on movements, even when there is no change in duty station, the	The findings of the comprehensive review of the mobility programme, which has been paused, were submitted to the General Assembly at its seventy-third session and considered at its seventy-fourth session, but there was no resolution to that effect. On the basis of the findings of the comprehensive review, a new approach is being developed, and the Secretary-General	The Board notes the response from the Administration on this recommendation and considers it to be under implementation.		X		

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			capture of the vacancy rate by job network, enhanced tracking of expenditure and the putting in place of checks and validations to ensure that the recording of information by all entities is consistent, within a definite time frame; and (b) monitor the trend of movements between duty station categories and try to increase movement between different categories to better realize the organizational goals linked with mobility.	intends to submit his report on a new approach at the seventy-fifth session of the Assembly.					
51	2015	A/71/5 (Vol. I), chap. II, para. 198	The Board recommended that the Learning, Development and Human Resources Services Division: (a) consider more focused inputs while preparing the budget to ensure better compliance in terms of achievement of targets; (b) identify causes for underachievement and take suitable corrective action to ensure achievement of targets for all objectives and outputs specified in the programme budget; (c) make efforts to increase the sample sizes for surveys to obtain feedback and implement the standardized surveys early, which will generate more reliable data to support conclusions drawn therefrom; (d) put in place a mechanism to evaluate the impact of services offered and of the underachievement of targets; and (e) ensure that performance on all parameters set out in the	The Learning, Development and Human Resources Services Division no longer exists. Following the management reforms, the services previously provided by that Division now reside with the Department of Operational Support and the Office of Human Resources. The evaluation of programmes is provided in the context of the budget submission. In 2020, under the leadership of the Department of Management Strategy, Policy and Compliance, the Office was to conduct a Secretariat-wide learning needs assessment from January to August 2020 to identify key learning priorities for 2021–2022. The assessment will provide the Office with the data to strategically align the Organization's human resources capacity with its mission and empower United Nations staff to address key challenges with regard to the implementation of the 2030 Agenda for Sustainable Development, the future of work and evolving trends in the organizational environment.	The Board notes the response from the Administration and considers this recommendation to be under implementation.		X		

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			programme budget are measured, documented and reported upon.	This Secretariat-wide learning needs assessment will be done on the basis of the 2017 one, which provided a comprehensive review of learning needs at an organizational level, and will be expanded to include focus groups with the learning community on validating results from the document review and a staff survey on perceived learning needs that is planned for the first quarter of 2021. The focus of this learning needs assessment, as in the previous one, is to provide intelligence on cross-cutting needs that support the execution of the overall mandate and align the efforts of the Office to make more strategic and coordinated use of resources for delivering learning. The methodology to collect information will include the following: (a) Review of key documents, such as programme and strategic planning documents, performance documents, the upgrading of technical and substantive skills learning plans, reports submitted to the General Assembly, Office of Internal Oversight Services and Joint Inspection Unit audits and reports, and other official documentation, as well as reports related to the future of work; (b) Focus groups with learning managers and programme managers; (c) Online questionnaire to all staff in the Secretariat. The global learning analysis will provide information regarding the cross-cutting learning needs at the organizational level, as well as the learning needs at the entity level, which may highlight different learning profiles and priorities. It is complemented by annual and					

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				functional needs analysis conducted by Secretariat entities to assess the substantive and technical skill requirements for the different functions and/or job families in the Organization, which is conducted through the annual upgrading of technical and substantive skills submissions.					
52	2015	A/71/5 (Vol. I), chap. II, para. 214	The Board recommended that the Medical Services Division: (a) design survey questionnaires to seek specific feedback suggestions for improvements; (b) put in place well-defined protocols and adequately train staff to ensure that avoidable delays owing to deficient documentation are reduced to the minimum, enabling faster medical clearances; and (c) define parameters to measure achievement of the goals related to its strategic activities.	The recommendation has been implemented in the light of the following: (a) The Health-Care Management and Occupational Safety and Health Division has developed a patient experience survey to receive feedback suggestions for improvements; (b) A well-defined protocol has been put in place through the development of a new clearance process that does not rely on document submission for the majority of cases. The new MS3 clearance process is a self-administered questionnaire that allows for a risk-based assessment. With this new process, pre-deployment clearance turn-around time could be reduced to 24 hours; (c) Parameters for the achievement of strategic initiatives have been designed and are part of strategic planning documentation of the Division.	The Board notes the Administration's response and considers this recommendation to have been implemented.	X			
53	2015	A/71/5 (Vol. I), chap. II, para. 241	The Board recommended that, in cases where exceptionally low bids are accepted, appropriate performance security clauses and key performance indicators for the vendor are automatically included in contracts to protect the interests of the United Nations. The release of payments under these contracts should also be subject to increased scrutiny	In 2018, the Office of Central Support Services stated that it would issue a memorandum to requisitioners to request them to pay special attention and to exercise due diligence in the management of contracts arising from exceptionally low bids. The Procurement Division always ensures that commercial proposals are viable and appropriate and that due diligence is undertaken in order to	The Board reviewed a sample of solicitations and did not detect cases in which exceptionally low bids had been accepted without the appropriate control mechanism. The Procurement Division provided examples in which it had taken	X			

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			to ensure that commensurate value has been delivered.	ensure the best value for money and avoid unrealistic low bids. The Division includes performance bonds, where appropriate. The payment of invoices is carried out only upon the satisfactory service delivery and receipt of all substantiating and supporting documentation.	several measures to ensure that the vendor could be awarded the contract (on-site visit, reduced contract period, performance bond). The Board considers the recommendation to have been implemented.				
54	2015	A/71/5 (Vol. I), chap. II, para. 256	The Board recommended that the legal framework around the granting of funds to partners be formally introduced into the Financial Regulations and Rules.	The proposed amendments to the Financial Regulations and Rules of the United Nations, including those on the granting of funds to partners and grantees, were presented to the General Assembly for review and approval (A/73/717). After formal hearings with the Advisory Committee on Administrative and Budgetary Questions and the Fifth Committee, the General Assembly did not consider the report of the Secretary-General nor the report of the Advisory Committee concerning the proposed amendments to the Financial Rules and Regulations during the first resumed session of the seventy-third session. A new proposal will be prepared for consideration by the Assembly.	The Board notes the reply of the Administration and considers this recommendation to be under implementation.		X		
55	2015	A/71/5 (Vol. I), chap. II, para. 264	The Board recommended that the Administration develop a common principles-based framework for the management of partners that specifies the key procedures to be performed by all Secretariat entities. To facilitate the development of the common framework, the Secretariat should conduct an end-to-end review of the project management life cycle, including consultations with key	This recommendation is being addressed comprehensively and in a holistic manner in the context of the recommendations relating to implementing partners, contained in paragraphs 264, 269 and 270 of chapter II of A/71/5 (Vol. I), as part of the continuing improvements in the grantor management module of Umoja Extension 2 being done throughout 2020.	The Board notes the reply of the Administration and considers this recommendation to be under implementation.		X		

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			stakeholders and a review of all current practices.						
56	2015	A/71/5 (Vol. I), chap. II, para. 269	The Board recommended that the Administration finalize, and issue under appropriate authority, its standard template agreement with implementing partners to include appropriate anti-fraud, sanctions and audit clauses.	This recommendation is being addressed comprehensively and in a holistic manner in the context of the recommendations relating to implementing partners, contained in paragraphs 264, 269 and 270 of chapter II of A/71/5 (Vol. I), as part of the continuing improvements of the grantor management module of Umoja Extension 2 being throughout 2020.	The Board notes the reply of the Administration and considers this recommendation to be under implementation.		X		
57	2015	A/71/5 (Vol. I), chap. II, para. 270	The Board reiterated its previous recommendation to establish information-sharing mechanisms on implementing partners that cover due diligence procedures, implementation issues and performance evaluations performed by United Nations entities and partners with which they have worked.	This recommendation is being addressed comprehensively and in a holistic manner in the context of the recommendations relating to implementing partners, contained in paragraphs 264, 269 and 270 of chapter II of A/71/5 (Vol. I), as part of the continuing improvements of the grantor management module of Umoja Extension 2 being done throughout 2020.	The Board notes the reply of the Administration and considers this recommendation to be under implementation.		X		
58	2015	A/71/5 (Vol. I), chap. II, para. 286	The Board recommended that the Administration conduct a comprehensive review of the functionality of existing grant management systems and the information needs of users and other stakeholders before finalizing the scope of Umoja Extension 2.	The Office for the Coordination of Humanitarian Affairs stated that the comprehensive review had been conducted and that the recommendation was under implementation.	The bridge providing data exchange between the grant management system and Umoja is undergoing testing by the Umoja and Office for the Coordination of Humanitarian Affairs teams. The Office also stated that it would look forward to continuing the collaboration with the Umoja team in expanding the bridge so that it can facilitate the submission of the expenditure reports and refund information to expedite the process as much as possible, thereby		X		

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					avoiding any manual entry of approved data from the country-based pooled fund grant management system. The Board considers the recommendation to be under implementation.				
59	2015	A/71/5 (Vol. I), chap. II, para. 329	The Board reiterated its previous recommendation that the Administration establish a formal approach to managing and improving operations to enable continuous reform and improvement in departments.	Following the management reforms, closure of the recommendation is requested because a formal approach to managing and improving operations to enable continuous reform and learning has been implemented through enablers and mechanisms, including enterprise risk management, results-based management, self-evaluation, capacity-building and the Management Client Board.	The Board notes that one of the elements of management responsibility and accountability presented as part of the management reforms is continuous improvement. The Board considers the recommendation to have been implemented.	X			
60	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr.1, chap. II, para. 31	The Board reiterated its recommendation that the Administration improve scrutiny of open commitments at year-end by providing more guidance on identification and retention of open commitments.	The Administration continues to consider this recommendation to have been implemented and will continue its strengthened review and monitoring of commitments.	The Board observed that no further comment or document was furnished by the Administration after what had been provided in A/74/5 (Vol. I). In view of this, the Board considers this recommendation to be under implementation.		X		
61	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr.1, chap. II, para. 32	The Board reiterated that the Administration should review open commitments during the year, in particular at year-end, to challenge any commitment that appeared to be retained unnecessarily.	The Administration continues to consider this recommendation to have been implemented and will continue its strengthened review and monitoring of commitments.	The Board observed that no further comment or document was furnished by the Administration after what had been provided in A/74/5 (Vol. I). In view of this, the Board considers this recommendation to be under implementation.		X		

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62	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr.1, chap. II, para. 41	The Board recommended that the Administration review and appropriately strengthen the system of asset capitalization in view of the inaccuracies noticed, and further recommended that internal controls in connection with the disposal of assets be strengthened, necessary rectifications be carried out and ad hoc adjustments be eliminated.	The closure of this recommendation is requested, given that it has been reiterated in paragraph 46 of A/74/5 (Vol. I). Reference is made to the comments provided under that recommendation.	The Board notes the response of the Administration and that provided regarding the recommendation contained in paragraph 46 of A/74/5 (Vol. I) and noted similar inaccuracies in asset capitalization and delays in the derecognition and disposal of assets in 2019. The Board therefore considers this recommendation to be under implementation.		X		
63	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr.1, chap. II, para. 46	The Board recommended that the Administration expeditiously carry out a regular review of the residual value of assets in general and its fully depreciated assets that were still in use in particular, and appropriately assign useful lives and residual values to the assets so as to correct the ad hoc practices followed in that regard.	The United Nations System Chief Executives Board for Coordination is conducting a survey on physical assets, including collecting data on the actual lives of assets. It is expected that the data collected from the agencies across all the classes of assets will inform the system-wide policy on useful lives. In this regard, the Secretariat will await the survey outcome and decisions made before taking a final decision on the treatment of fully depreciated assets still in use. In the meantime, the practice of making a top-side adjustment of 10 per cent, endorsed by the Board at that time, will continue.	The Board notes the status provided by the Administration and considers this recommendation to be under implementation.		X		
64	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr.1, chap. II, para. 55	The Board recommended that the Administration migrate assets in all legacy systems, including Galileo, into Umoja on a priority basis to eliminate manual entries and adjustments and strengthen internal controls, and adopt a uniform IPSAS-compliant basis	The Administration notes that self-constructed assets are being measured using an actual cost approach, which became effective in 2018. With the decommissioning of the Galileo system, all data within that system are now migrated into Umoja. Data on International Court of Justice assets were converted in 2019 and are being reported	The Board notes the status provided by the Administration and considers this recommendation to have been implemented.	X			

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			for measurement of all assets (including real estate assets).	from Umoja. No data on assets exist in legacy systems, and all assets reported are in Umoja. Closure of this recommendation is therefore requested.					
65	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr.1, chap. II, para. 56	The Board recommended that the Administration phase out the standard cost methodology and align its accounting with IPSAS requirements of valuing property, plant and equipment assets.	In conjunction with Board's recommendation (A/73/5 (Vol. I), para. 30), the Administration reiterates that the implementation of actual costs at the individual item level is unattainable. It also reiterates that the revision of standard costs will be performed on a periodic basis to ensure that the rates remain current. The Administration is in the process of performing a review of the standard costs across the volumes. Closure of this recommendation is therefore requested.	The Board notes that the revision of standard associated cost rates, were carried out after a long time, in 2017–2018, and that those rates were implemented as from 2019, which has led to significant changes in standard associated cost rates, thereby further establishing the need for considering actual associated costs in line with IPSAS provisions. The Board therefore considers this recommendation to be not implemented.			X	
66	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr.1, chap. II, para. 64	The Board recommended that the Administration review its procedures for providing census data to the actuary and evolve a more reliable mechanism for collecting details of all active staff and retirees from all locations and then consolidating them for onward transmission to the actuary so as to obviate the risk of incorrect valuation of employee benefits liabilities due to incomplete data.	The implementation of this recommendation is in progress.	The Board notes the steps taken by the Administration and considers the recommendation to be under implementation.		X		
67	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr.1, chap. II, para. 81	The Board recommended that the Administration follow a policy of reviewing agreements with implementing partners, particularly in cases of	This recommendation has been fully implemented, and it is requested that the Board close this recommendation.	The Board observed that no document or comment was furnished by the Administration in favour of its claim that the		X		

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			downstream transfers of conditional grants to the implementing partners, to ensure that the Administration retains control of the asset transferred and recognizes such transfers appropriately in line with IPSAS provisions.		recommendation had been fully implemented. The Board considers this recommendation to be under implementation.				
68	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr.1, chap. II, para. 91	The Board recommended that the Administration work towards merging the financial results of trust funds which finance operations and activities pertaining to a specific reporting entity into the financial statements of that reporting entity. In the interim, pending such transition, a suitable disclosure may be provided in the United Nations volume I financial statements.	The Administration reiterates that the "special accounts" established by the Security Council are assessed separately and their financial results presented in volume II, whereas volume I comprises the financial results of the General Fund and trust funds. The Administration stands by the previous conclusion that the current boundary for volumes I and II should be upheld in the best interests of legislative bodies. The Board illustrated the presence of in-kind voluntary contributions in volume II as evidence that might support the possibility of consolidating trust funds. Those voluntary contributions in volume II represent the facilities and services that the host countries of peacekeeping missions are required to provide to the missions in their countries under the status-of-forces agreements. They are a unique and inseparable part of the "special accounts." Given that they do not pertain to the voluntary contributions of trust funds, they do not demonstrate the rationale to consolidate trust funds in volume II. The different reporting cycle of volume II and trust funds also makes the consolidation impractical.	The Board notes that special political missions are also mandated by the Security Council but are included in the volume I financial statements. The Board also notes that the scale of assessments and the voluntary contributions received through the mechanism of trust funds support the same activities. The Board further notes that in-kind voluntary contributions are reported in volume II. In view of the above, the Board is unable to appreciate the logic of ring-fencing the scale of assessments from voluntary contributions received through the mechanism of trust funds and considers this recommendation to be not implemented.			X	
69	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr.1,	The Board recommended that the Administration continue to closely review and monitor the	Significant progress has been made in the methodological development of many tier III indicators. As a result, the	The Board had expressed concerns over delays in the finalization of	X			

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		chap. II, para. 115	development of the measurement methodology for indicators of the Sustainable Development Goals to ensure timely completion of work.	Inter-Agency and Expert Group on Sustainable Development Goal Indicators considered many requests for reclassification of tier III indicators throughout 2019. In addition, it undertook a comprehensive review of the indicator framework according to the mandate from the General Assembly mandate for the Administration. The revised global Sustainable Development Goal indicator framework was approved by the Statistical Commission at its fifty-first session, in March 2020. Following the tier reclassification reviews in 2019 and the replacements, revisions and deletions included in the revised indicator framework, no tier III indicators remain. The revised global indicator framework has 36 major changes from the previous one and has 231 unique indicators. The Inter-Agency and Expert Group is assessing the tier classification of the new indicators and will classify them as either tier I or tier II. The information will be available soon at https://unstats.un.org/sdgs/iaeg-sdgs/tier-classification/. Given that this recommendation focused on the tier III indicators and that no indicators at this tier remain, the Administration considers this recommendation to have been implemented and requests its closure by the Board.	methodologies and standards for the collection of data for tier III indicators and the resultant delay in the measurement of progress. The Board had emphasized the need for placing greater attention on monitoring the workplans for the tier III indicators. Given that no indicator in tier III remains, the recommendation is considered to have been implemented.				
70	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr.1, chap. II, para. 139	The Board recommended that a system of centralized data collection and reporting of geographic move figures through Umoja might be devised, including for segregating long-term and short-term assignments,	The Office of Human Resources is collaborating with the Business Transformation and Accountability Division to develop a query for reporting geographical moves, including segregating long-term and short-term	The Board notes the response of the Administration and that the full implementation of the recommendation is targeted for December 2020. The Board		X		

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			so that long-term mobility patterns and short-term moves are identified.	assignments in the context of the United Nations business intelligence project.	considers the recommendation to be under implementation.				
71	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr.1, chap. II, para. 153	The Board reiterated that the Administration should monitor the implementation of the Secretary-General's bulletin on employment and accessibility for staff members with disabilities in the United Nations Secretariat. Furthermore, it recommended that the Secretariat take steps to expedite the process of appointing the focal point for better monitoring of compliance with the policy.	The Office of Human Resources has worked actively on the consultation process that led to the approval by the United Nations Chief Executives Board for Coordination of the implementation of a United Nations-system-wide action on disability, including the policy on disability and the accompanying accountability framework, early in May 2019. The system-wide action will have an impact on several areas of the Secretariat, including but not limited to strategic planning, programming and budgeting, evaluation, staffing and staff retention, capacity development, communications, procurement, accessibility and reasonable accommodation. Ana Maria Menéndez has been appointed as the focal point for disability, reporting to the Secretary-General. The Office of Central Support Services responded that the United Nations Interdepartmental Task Force on Accessibility was drafting an information circular that would establish the procedures for monitoring compliance with Secretary-General's bulletin ST/SGB/2014/3.	The Board notes from the response of the Administration that the focal point has been appointed, as required. However, the Board also notes that the procedures for monitoring compliance with Secretary-General's bulletin ST/SGB/2014/3 are yet to be established. Hence, the Board considers the recommendation to be under implementation.		X		
72	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr.1, chap. II, para. 192	The Board recommended that the Administration consider necessary adjustments in the strategy to address workdays lost owing to mental health disorders and expedite implementation of the occupational safety and health management framework to better align with the timelines	In October 2017, a new mental health and well-being strategy was launched by the Secretary General. In January 2019, the global lead for the implementation of this strategy was hired to develop the steps needed to implement the strategy. At a system-wide level, the global team is coordinating the implementation of the mental health strategy and can offer	The Board notes that Secretary-General's bulletin ST/SGB/2018/5 has been published but that it provides only an introduction to the occupational safety and health system of the Secretariat. It is stated in		X		

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			recommended by the High-level Committee on Management in March 2015.	guidance on: approaches to implementation; developing and recommending appropriate resources, training and draft policies; communication campaigns and advocacy; and monitoring and evaluation, including collecting baseline data. The Office of Human Resources confirms that the implementation of the strategy includes activities directed at improving the mental health of United Nations personnel and ensuring that those experiencing poor mental health seek help early. In July 2018, Secretary-General's bulletin ST/SGB/2018/5 was published, which provides a policy framework for all occupational safety and health matters.	the document that the system would be implemented in a phased manner and that it would be overseen by an appropriately constituted body, without any specific details provided. In addition, the response is silent on the action taken to address the workdays lost owing to mental health factors. Hence, the recommendation is considered to be under implementation.				
73	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr.1, chap. II, para. 198	The Board recommended that the Office of Human Resources Management expeditiously take appropriate measures to ensure collection of the required statistics pertaining to medical evacuation cases.	The recommendation is in the process of implementation. The Administration has established a report to be provided to missions on a quarterly basis that aggregates key data on all medical evacuations and instances of repatriation within a mission, broken down by category of staff member and key characteristics. The Health-Care Management and Occupational Safety and Health Division, in coordination with the Department of Management Strategy, Policy and Compliance, will ensure the collection of the required statistics pertaining to medical evacuation cases.	The Board notes the response of the Administration and that the recommendation is targeted for full implementation by March 2021. The Board considers the recommendation to be under implementation.		X		
74	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr.1, chap. II, para. 205	The Board recommended that the Administration expedite the process of defining and implementing the role of the Medical Services Division in technical supervision, oversight and enforcement of medical	The recommendation is in the process of implementation. The Administration is in the final process of drafting an administrative instruction on technical supervision and the role of the Medical Director for United Nation system-wide guidance. A zero draft is available for	The Board notes the response of the Administration and that the recommendation is targeted for full implementation by March 2021. The Board		X		

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			standards system-wide, based on the recommendations of the High-level Independent Panel on Peace Operations.	internal consultation in the Health-Care Management and Occupational Safety and Health Division. Once this draft is finalized, it will have to go through the normal consultation process outside the Division, and this is likely to take approximately 12 months.	considers the recommendation to be under implementation.				
75	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr.1, chap. II, para. 211	The Board reiterated its previous recommendation that the Office of Human Resources Management strengthen its performance monitoring mechanisms, including re-establishing the Performance Review Group, to improve the performance of entities that had not achieved targets on staff recruitment timelines, representation of women in senior policy positions and completion of performance appraisals.	The performance review group was re-established and held its first meeting in February 2018. Compliance with achieving targets on staff recruitment timelines, the representation of women and the completion of performance appraisals continues to be the responsibility of heads of entities and is monitored within each head's compact with the Secretary-General. Following the management reforms and the establishment of the Division of Management Strategy, Policy and Compliance, the monitoring of compacts rests with the Business Transformation and Accountability Division. Moreover, the Division has created a management dashboard that enables all heads of entities to monitor their targets on staff recruitment timelines, the representation of women and the completion of performance appraisals on a real-time basis. The Office of Human Resources will continue to ensure that heads of entities are aware of their responsibility through the new senior leader induction programme.	The Board notes that the Business Transformation and Accountability Division is monitoring delegated authorities through a suite of key performance indicators, including three pertaining to human resources. In addition, management dashboards have been created to monitor the achievement of the set targets. In view of the above, the recommendation is considered to have been implemented.	X			
76	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr.1, chap. II, para. 222	The Board recommended that the Administration define clear criteria for delegating procurement authority, including thresholds, to United Nations entities.	The new delegation of authority framework is applicable only to the United Nations entities over which the Secretary-General has authority under the Staff Regulations and Rules and/or the Financial Regulations and Rules with respect to the human, financial or	The new delegation of authority framework, together with the accountability framework, define clear criteria for delegating procurement authority. In	X			

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				physical assets of the entity to which he would delegate authority under those regulations and rules. The Administration routinely reviews requests from United Nations entities to receive the delegation of authority in the context of the policy of the Secretary-General to decentralize decision-making by delegating to managers having responsibility for carrying out activities of the Organization the managerial authority over the human, financial and physical resources necessary to enable them to carry out such mandated activities. Such delegation grants them access to the Secretariat monitoring and support services.	addition, the Administration is in the process of reviewing whether entities excluded from the framework require delegation of procurement authority. The Board considers the recommendation to have been implemented.				
77	2016	A/72/5 (Vol. I), chap. II, para. 223	The Board recommended that the Administration develop a template for delegation of procurement authority clearly outlining responsibilities and accountability, procedural details and training requirements, including for oversight. A revised and clear governance structure should be put in place enabling consultation with major stakeholders to ensure visibility of procurement actions and appropriate oversight.	The new delegation of authority framework issued by the Secretary-General clearly establishes the criteria that entities must satisfy in order to exercise the delegation of authority. In cases in which no delegation of authority was granted, those entities are to obtain the services of another approved entity.	The recommendation is considered to have been implemented.	X			
78	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr.1, chap. II, para. 229	The Board recommended that the Procurement Division determine how to assess modifications to the standard contract provisions and United Nations General Conditions of Contract during the technical and commercial evaluation taking into account the potential risk for the	The Administration conducts a risk assessment prior to the issuance of the solicitation and to the awarding of the contract. Prior to the issuance of the solicitations and in consideration of the lessons learned in past tenders, the Procurement Division already includes a risk analysis in the source selection plan. For any unanticipated risks that have arisen during the solicitation following a	Chapter 6.4.9 of the revised Procurement Manual deals with modifications to the draft contract and the United Nations General Conditions of Contract. The recommendation is considered to have been implemented.	X			

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			Organization and how to document this assessment.	review of proposals, the Division addresses such risk analysis in the case presentation (to the relevant committee and approving authority), including the risk analysis, with the recommendation for the awarding of the contract. Furthermore, the case file includes any relevant supporting documents, such as a memorandum containing legal advice from the Office of Legal Affairs if such advice had been sought owing to exceptions to the standard United Nations General Conditions of Contract and the Controller's approval of the limitation of liabilities, if applicable.					
79	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr.1, chap. II, para. 240	The Board recommended that the Administration: (a) take stock of the transactional aspects of the procurement process in Umoja and the steps outside Umoja; and (b) review the approval processes in Umoja in the different entities under its authority and determine a way forward for all entities under its delegation of procurement authority.	The process referred to is best captured in annex B (document processing and approval matrix) to the delegation of authority framework. Following a review that compared the matrix to the Umoja approvals workflow, the following was noted: (a) The matrix is highly complex when considering the multiple financial rules, the differing delegations of authority for entities and the Department of Operational Support, and the differing approving and signing authorities (i.e., replication of the document processing and approval matrix in any enterprise resource planning system is not possible without considerable investment and effort); (b) The matrix is replicated somewhat in Umoja because it does include the category manager's review (of the manual selection of the financial rule and signature block) and approval of each purchase order, which has, to date, proved to be reliable without undue risks;	The Procurement Division provided the results of the stocktaking exercise of transactional aspects and their records. The Board considers the recommendation to have been implemented.	X			

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				(c) Umoja records the signature block and financial rule, which can be checked easily against the matrix. The review process is ongoing, but the Administration wishes to highlight the difficulties in enforcing a delegation of authority in Umoja for senior procurement officials, given that this could significantly affect the sustainability of efficient procurement operations. However, efforts are being undertaken to reflect in Umoja that related approval flows align with the relevant delegation of authority.					
80	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr.1, chap. II, para. 243	The Board recommended that the Administration improve visibility and performance measurement with regard to internal processes and external factors.	The Administration is working on the implementation of an electronic tendering solution that will enhance business intelligence capabilities significantly. Concurrently, it is working on a procurement key performance indicator tool (PowerBI) to monitor performance, including on processing times. The Administration plans to implement electronic tendering in a phased approach.	The recommendation is under implementation. The Board considers it important that relevant data be available for performance measurement.		X		
81	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr.1, chap. II, para. 253	The Board recommended that the Administration ensure that: (a) all country-based pooled funds adhere to the standards set out in the Country-based Pooled Funds Operational Handbook; and (b) a human resources review of the Humanitarian Financing Units is completed expeditiously to identify the criteria for determining the number and profile of staff required for optimally managing the country-based pooled funds.	The Office for the Coordination of Humanitarian Affairs stated that all 18 country-based pooled funds had been brought under the Office's single management arrangement as from 1 January 2020 and adhered to the Country-based Pooled Funds Operational Handbook, as well as that the human resources review had been completed and had provided the Humanitarian Financing Units with guidance since 2018.	The performance based on indicators in terms of the time taken for the completion of various monitoring activities of projects has improved over the years regarding adherence to standards. The mere action of bringing all country-based pooled funds under a single management arrangement would provide no assurances in itself that all the standards would be adhered to, but the	X			

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					contention of the Office could not be ruled out on the basis of the indicators. Considering the above and the action already taken by the Office regarding Humanitarian Financing Units, the Board considers the recommendation to have been implemented.				
82	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr.1, chap. II, para. 257	The Board recommended that delays in the disbursement of funds be reviewed by the Administration to ascertain the reasons therefor and address them.	The Office for the Coordination of Humanitarian Affairs stated that, in the 14 funds for which it is the administration agent and the managing agent, the number of working days taken to disburse funds was reduced from 8.5 in 2017 to 6 in 2019.	Given that the Office for the Coordination of Humanitarian Affairs has been improving the performance towards the timeliness of disbursement significantly and has made or proposed to make some changes in the administration and management of the country-based pooled funds, with a view to improving performance, the issue has been addressed in large part. The Board considers the recommendation to have been implemented.	X			
83	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr.1, chap. II, para. 264	The Board recommended that the Administration review the projects where timelines for the processing of projects have been exceeded and take steps to ensure that the projects are processed in accordance with the prescribed timelines.	The Office for the Coordination of Humanitarian Affairs stated that timelines are set at the country level and that they were subject to the input and timelines of various stakeholders, not least the requesting implementing partners themselves. Given the number of projects, the range of experience of partners and the complex environment	Considering the nature of the emergency response and the projects being processed in a timely manner, except in cases in which the delays are unintentional and unavoidable owing to the need for further	X			

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				for emergency response, there will always be cases in which timelines are unintentionally exceeded owing to the need for further clarification or guidance. Nevertheless, 75 per cent of the project proposals have been processed within the prescribed country-specific timelines.	clarifications or guidance and improvement in relative performance against the prescribed timelines, the Board considers the recommendation to have been implemented.				
84	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr.1, chap. II, para. 269	The Board recommended that the Administration monitor the timely submission of final financial statements and final narrative reports by the implementing partners and take delays into account when assessing the performance of the implementing partners.	The Office for the Coordination of Humanitarian Affairs stated that the partner performance index tool that took the progress, interim and final reports into account while assessing the performance of the partners had been fully implemented. The grant management system flexible reminder module is under development and is expected to be rolled out in 2020.	Considering the fact that management is monitoring delays in the submission of various reports, including the one based on key performance indicators, that such delays are taken into account while assessing the partner performance index and that action has been taken on the crucial aspects of the recommendation, the Board considers the recommendation to have been implemented.	X			
85	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr.1, chap. II, para. 282	The Board recommended that the Administration closely monitor the progress of the fraud risk assessment to ensure timely achievement of the intended outcomes of the exercise.	As recommended by the Board, the Administration has recently harmonized the Fraud and Corruption Risk Register into a Secretariat-wide risk register. The risk register was approved by the Management Committee at its meeting held 15 July 2020. The Administration requests the closure of this recommendation by the Board.	The Board notes the progress in the harmonization of the Fraud and Corruption Risk Register into the Secretariat-wide risk register and that its approval by the Management Committee was pending. Hence, the Board considers the recommendation to be under implementation.		X		
86	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr.1,	The Board recommended that the Administration ensure issuance of clear and detailed criteria for	While this recommendation is within the purview of the Office of Internal Oversight Services, it should be noted	The Board holds that, although criteria have been laid down, they are			X	

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
		chap. II, para. 283	determining high-risk and complex investigations.	that the criteria for high-risk investigations have been issued and approved by the General Assembly. The Office is of the view that the criteria to distinguish between high-risk category I investigations and routine category II ones are sufficient (please refer to A/58/708 and resolution 59/287).	insufficient and could lead to different results under the same circumstances and, hence, require further detailing. The recommendation is therefore considered to be not implemented.				
87	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr.1, chap. II, para. 293	The Board recommended that the Procurement Division, in coordination with the other stakeholders, review the process for purchasing standardized ICT commodities in order to strike a balance between the need for standardizing requirements and compliance with procurement principles. In particular, ICT hardware of low complexity and limited operability should be standardized. As a practice, the technical specifications should be standardized or the reasons for the non-feasibility of standardizing technical specifications should be analysed and documented.	The information and communications technology standardization procedure is finalized. In addition, in December 2017, the Administration implemented a simplified process to acquire approved software and hardware and on how to request additions to those standards. Recognizing that there are unique operational requirements, the Administration established a separate process for those requests using the low-value acquisition approach to accelerate the technical clearance process. The low-value acquisition is a procurement process that allows for the purchase of items under $10,000 to accelerate the delivery of needed equipment and minimize risk to the Organization.	The Board notes that the simplified process deals with low-value acquisitions only. The process to purchase standardized items has not been revised. The recommendation is under implementation.		X		
88	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr.1, chap. II, para. 308	The Board recommended that the Administration: (a) dispose of in a timely manner all assets which have been retired from use; and (b) institute proper mechanisms to ensure that all user departments submit in a timely manner disposal cases for retired assets.	With regard to the ICT assets procured during 2019, the United Nations Office at Nairobi explained that seven assets had been procured (purchase value of $584,917.49) and that all of them had been installed. With respect to the assets retired from use, the Office responded by referring to 80 ICT assets mentioned in the Administration's response in A/73/5 (Vol. I), detailing that, of the 59 ICT assets, 45 had been disposed of, 13 were in use and in good condition, and 1 was pending disposal. The one pending	Considering that only one ICT asset is pending disposal for the reasons outlined and that the United Nations Office at Nairobi is adopting mechanisms to ensure the disposal of retired assets in a timely manner, the Board considers this recommendation to have been implemented.	X			

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				disposal was because it had been approved on 30 January 2020; however, owing to the coronavirus disease (COVID-19) pandemic, it could not be disposed of yet. Of the 21 ICT assets, 19 had been disposed of and 2 had been repaired and were in use. Lastly, regarding the mechanism adopted by the Office to ensure that all user departments submitted, in a timely manner, disposal cases for retired assets, management explained that it had constituted a team to do a periodic review of ICT assets that were both in use and in store to assess whether they were obsolete. In accordance with that review, a list of assets to be disposed of was compiled and a disposal process initiated. Moreover, management mentioned that the Office regularly performed the physical verifications of assets and identified any retired assets, and that an instruction for the preparation of disposal case of retired asset had been sent to the asset focal point responsible for his or her action.					
89	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr.1, chap. II, para. 315	The Board recommended that the Department of Political Affairs take the necessary steps to ensure adherence to the indicators of achievement and meet the targets set for timely conduct of electoral needs assessment.	The strategic framework and budget proposal for 2020 is prepared on the basis of new budget guidelines in line with the budget reform initiative of the Secretary-General. The strategic management application module in Umoja Extension 2, launched recently, enables users to monitor and record progress made towards achieving expected accomplishments. This allows for the timely monitoring of indicators of achievement and the delivery of outputs to meet the targets set.	The Board takes note of the strategic management application module in Umoja Extension 2 and new budget guidelines that would enable users to monitor progress better. In view of this development and capability, this recommendation is considered to have been implemented.	X			
90	2016	A/72/5 (Vol. I) and A/72/5	The Board recommended that the budget formulation process be	The Umoja Extension 2 budget formulation module continues to be	The Board has noted that the Umoja Extension 2		X		

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		(Vol. I)/Corr.1, chap. II, para. 324	streamlined and based on more realistic assumptions, factoring in past trends.	enhanced/developed with the use of the travel model/forms for the preparation of the 2021 proposed programme budget process. Additional forms for recosting and reports have been developed and rolled out since the launch in February 2019.	budget formulation module continues to be enhanced/developed with the use of the travel model/forms for the preparation of the 2021 proposed programme budget process and that additional forms for recosting and reports have been developed and rolled out since the launch in February 2019. The Board noted that a reply on the practice of analysing actual expenditure from the preceding budget period to assess the proposal for the forthcoming period was awaited. Accordingly, the Board considers this recommendation to be under implementation.				
91	2016	A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr.1, chap. II, para. 362	The Board recommended that the Administration ensure that special measures, whenever offered in special circumstances, are adhered to.	This recommendation has been overtaken by the management reforms. With the new delegation of decision-making authority, heads of entities now can make exceptions to administrative instructions to facilitate mandate delivery, within the boundaries of the Staff Regulations and Rules and decisions of the General Assembly. Such exceptions are monitored on a daily basis by the Business Transformation and Accountability Division. Given the circumstances, it is requested that the recommendation be closed.	The Board notes the response of management and that a mechanism for monitoring exceptions has been put in place as part of the management reforms. The Board considers the recommendation to have been overtaken by events.				X
92	2017	A/73/5 (Vol. I), chap. II, para. 22	The Board recommended that urgent steps be taken to	The Administration has been working with the Umoja team to implement	The Board notes the response given by the		X		

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			strengthen the business planning and consolidation module to eliminate the need for manual adjustments and interventions.	further automation of the business planning and consolidation module. Automation of segment reporting for volume I has been tested and moved to the production environment in time for the preparation of the 2019 financial statements. Owing to mandated priority to complete Umoja Extension 2 in 2020, other automation items are scheduled to be completed by 31 December 2021.	Administration. The recommendation is considered to be under implementation.				
93	2017	A/73/5 (Vol. I), chap. II, para. 30	The Board recommended that the Administration value property, plant and equipment assets and inventory considering all actual associated costs in line with the provisions of IPSAS. Furthermore, an appropriate timeline to shift from standard cost methodology should be specified.	The Administration is in the process of performing another review of the associated costs incurred in 2019 for assets and inventory to validate the current rates in use. This review will be performed on a periodic basis to ensure that the standard costs remain applicable for use in the procurement process.	The Board notes that a revision of standard associated cost rates performed after a long time, in 2017–18, and implemented from 2019 has led to significant changes in standard associated cost rates, thereby further establishing the need for considering actual associated costs in line with IPSAS provisions. The Board therefore considers this recommendation to be not implemented.			X	
94	2017	A/73/5 (Vol. I), chap. II, para. 49	The Board recommended that the Administration improve scrutiny of open commitments at year-end in line with the provisions of the Financial Regulations and Rules to ensure timely surrender of unencumbered balances to the Member States.	The Administration continues to consider this recommendation to have been implemented and will continue its strengthened review and monitoring of commitments.	The Board observed that no further comment or document was furnished by the Administration following what had been provided in A/74/5 (Vol. I). In addition, there exists a significant amount of open commitments in the financial statements for 2019. The Board therefore considers this		X		

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					recommendation to be under implementation.				
95	2017	A/73/5 (Vol. I), chap. II, para. 57	The Board recommended that a comprehensive and robust internal control system over heritage assets be put in place by the Administration in a time-bound manner.	Implementation of this recommendation remains in progress and remains on target for completion by the stated target date. Development of additional reporting functionality within Umoja to capture heritage assets commenced early in 2020 and is expected to be rolled out by the end of 2020.	The Board notes the status provided by the Administration and considers this recommendation to be under implementation.		X		
96	2017	A/73/5 (Vol. I), chap. II, para. 64	The Board recommended that the Administration adopt a homogenous IPSAS-compliant policy of inventory valuation and reporting which recognizes all material inventory across all entities in volume I.	Volume I adopted a homogenous IPSAS-compliant policy towards inventory valuation and reporting that recognizes all material inventory in the 2019 financial statements. The closure of this recommendation is requested.	The Board notes that a homogenous IPSAS-compliant policy towards inventory recognition, valuation and reporting was adopted in 2019. The Board therefore considers the recommendation to have been implemented.	X			
97	2017	A/73/5 (Vol. I), chap. II, para. 71	The Board recommended that the Administration review the criteria followed by it for identifying conditionality in the voluntary contribution agreements and bring them in line with the provisions of IPSAS 23.	The Administration already provided the necessary guidelines to offices on evaluating criteria for identifying conditionality, in line with IPSAS 23: Revenue from non-exchange transactions (taxes and transfers) and IPSAS corporate guidance documents.	While the Board noted the response of the Administration, issues of identification of conditionality were noticed during the present audit. The Board considers this recommendation to be under implementation.		X		
98	2017	A/73/5 (Vol. I), chap. II, para. 77	The Board recommended that the Administration review and strengthen formal arrangements with third-party administrators and put in place a system of regular open-book auditing of their functioning at the earliest possible date.	The Health and Life Insurance Section continues to work with the Procurement Division to issue two requests for proposals: one for the provisioning of insurance services and the second for the claims audit. At this stage, the statement of work has been finalized and the request for proposals for the claims audit is expected to be issued by the end of 2020.	The Board noted the response of the Administration that the statement of work had been finalized and the request for proposals for the claims audit was expected to be issued by the end of 2020. Hence, the Board considers this		X		

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					recommendation to be under implementation.				
99	2017	A/73/5 (Vol. I), chap. II, para. 81	The Board recommended that the United Nations Treasury formalize the participation of different entities in the main cash pool by way of written agreements with them.	The Treasury is working with the Office of Legal Affairs on this matter.	The Board notes the response given by the Administration. The recommendation is considered to be under implementation.		X		
100	2017	A/73/5 (Vol. I), chap. II, para. 82	The Board recommended that the United Nations reconcile with Pension Fund the treatment of the balance of the fund 64PFN in their financial statements.	The Administration and the United Nations Joint Staff Pension Fund mutually agreed to report the balance of the fund 64PFN as an asset of the Secretariat.	On the basis of confirmation of the action taken by the Administration, the recommendation is considered to have been implemented.	X			
101	2017	A/73/5 (Vol. I), chap. II, para. 89	The Board recommended that the United Nations Office at Geneva liaise with Headquarters to develop a common approach for calculations and transparent recovery of costs for services within the United Nations.	The United Nations Office at Geneva liaised with Headquarters on the development of a common/global approach to cost calculations and recoveries. In September 2019, a global working group was established to develop a common costing methodology for administrative support services. The group is composed of Headquarters, the Department of Operational Support, the Department of Management Strategy, Policy and Compliance, the United Nations Office at Geneva, the United Nations Office at Vienna, the United Nations Office at Nairobi and the Economic and Social Commission for Asia and the Pacific. The initial phases of the project comprise the development of a common services taxonomy for finance and human resources, as well as the mapping of costs and identification of transactional volume parameters. The working group on common costing has created common taxonomies in the areas of human resources and finance and established the current costs of providing	The United Nations Office at Geneva has already implemented the recommendation and continues to engage on this matter. However, and partly beyond the Office's control, a common approach within the United Nations is yet to be established. The recommendation remains under implementation		X		

No.	*Audit report year/ biennium*	*Report reference*	*Recommendation of the Board*	*Administration's response*	*Board's assessment*	*Status after verification*			
						Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
				related services. It is now determining next steps on how to operationalize and expand the established framework.					
102	2017	A/73/5 (Vol. I), chap. II, para. 98	The Board recommended that the Administration revisit the practice of temporary assignment and analyse the reasons for the use of temporary job openings in a large number of cases instead of job openings.	The revision of the administrative instruction on special post allowance for temporary assignments at a higher-grade level is dependent on approval by the General Assembly of the proposed amendments to the Staff Regulations and Rules. The Assembly had begun its consideration of those amendments at the main part of its seventy-third session (December 2018), continued its further consideration at the first resumed part of its seventy-fourth session (March 2020) and has now decided to defer consideration of this agenda item to the first resumed part of its seventy-fifth session (March 2021). The revision of this administrative instruction is accordingly on hold.	The Board notes the response of the Administration and that the response is silent on the reasons for the use of temporary job openings in a large number of cases. The Board considers the recommendation to be under implementation.		X		
103	2017	A/73/5 (Vol. I), chap. II, para. 111	The Board recommended that the Administration decide on a time frame for the deployment of the Inspira module pertaining to consultants and individual contractors at United Nations Headquarters and devise a road map to adhere to the decided time frame.	With the management reforms that came into effect on 1 January 2019, the non-staff capacity operational support function was established under the Department of Operational Support. Together with Secretariat entities, beginning in mid-2019, the Department launched a working group to undertake a study regarding the use of non-staff capacities, including consultants and individual contractors, and published, in January 2020, a catalogue of non-staff capacities and relevant guidance. The working group is reviewing the existing process workflows, roster management and other operational aspects and systems compatibilities (Inspira/Umoja). Following the study, an assessment will determine the timeline for deployment and monitoring its systematic use. The	The Board notes that implementation of the recommendation is targeted for December 2020 and considers the recommendation to be under implementation.		X		

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				Office of Human Resources continues to support these efforts to ensure consistency with established policy.					
104	2017	A/73/5 (Vol. I), chap. II, para. 112	The Board recommended that the access management of Inspira be suitably modified to provide roles which can view the consultant engagements across the Secretariat, factoring in the relevant data security and privacy needs.	As indicated in the comments for the recommendation contained in paragraph 111 of A/73/5 (Vol. I), the Department of Operational Support launched a working group to undertake a study regarding the use of non-staff capacities, including consultants and individual contractors. The outcome of the study will result in a determination on a timeline for an extension of the roles to business partner offices. The Human Resources Services Division is conducting a study on the use of non-staff personnel by Secretariat entities. The study includes the use, recruitment and administration of consultants and individual contractors and will conclude with recommendations, and it is to be completed by the third quarter of 2020. The study, in collaboration with the Office of Information and Communications Technology, entails a review of the audit findings and recommendations by the Board of Auditors and the Office of Internal Oversight Services pertaining to the consultant module in Inspira. A comprehensive road map, including a timetable to address these systemic issues and the deployment of the updated module to all Secretariat entities, will be prepared.	The Board notes that implementation of the recommendation is targeted for December 2020 and considers the recommendation to be under implementation.		X		
105	2017	A/73/5 (Vol. I), chap. II, para. 116	The Board recommended that the Department work with the Office of Human Resources Management and the Office of Information and Communications Technology for	Department of Economic and Social Affairs: supporting documents for the job openings issued in Inspira in 2019 have been provided to the auditors. The Administration considers this recommendation to have been	The Department of Economic and Social Affairs was expecting full deployment of the Inspira module for consultants and individual	X			

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			the early deployment of Inspira in Department. In the interim, the Department should maintain a roster of consultants that is accessible to all divisions for future selections.	implemented and requests it closure by the Board. Office of Information and Communications Technology: while this recommendation is for the Department of Economic and Social Affairs, the Office confirms the update provided by the Department in August 2019.	contractors at Headquarters. As confirmed by the Office of Information and Communications Technology, the update to Inspira was made in August 2019. The recommendation is considered to have been implemented.				
106	2017	A/73/5 (Vol. I), chap. II, para. 124	The Board recommended that the Administration utilize the provisions of paragraph 4.7 of the administrative instruction on consultants and individual contractors in cases where the services of an identified candidate are considered necessary.	Supporting documents on the exceptions granted by the Department of Economic and Social Affairs (before and during the roll-out of the Department of Management Strategy, Policy and Compliance exceptions portal) related to the provisions of section 4.7 of administrative instruction ST/AI/2013/4 have been provided to the auditors. The Administration consider this recommendation to have been implemented and requests its closure by the Board following verification in a future audit.	The Administration has provided insufficient evidence regarding the extent of the use of the provision contained in section 4.7 of administrative instruction ST/AI/2013/4 for the hiring of a specific consultant or individual contractor. The Board notes the revised response and will verify the same during future audits. Until such verification, the recommendation is considered to be under implementation.		X		
107	2017	A/73/5 (Vol. I), chap. II, para. 125	The Board recommended that the Administration expand the roster of candidates to widen the sphere of competition for the selection of the consultants and individual contractors.	The use of Inspira job openings was intended to widen the sphere of competition. All personal history profiles of applicants for a consultancy/ individual contract with the Department of Economic and Social Affairs or other entity in Inspira are now available to hiring managers to consider in their requirements. The Administration consider this recommendation to have	The Board noted the information provided by the Administration and will verify the status during future audits. Until such verification, the recommendation is considered to be under implementation.		X		

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				been implemented and requests its closure by the Board.					
108	2017	A/73/5 (Vol. I), chap. II, para. 136	The Board recommended that the Office of Human Resources Management review the provisions of the administrative instruction to define the circumstances under which individual contractors can be engaged for more than six months.	As from January 2019, under the new delegation of authority framework (ST/SGB/2019/2), heads of entities have the delegated authority to make exceptions regarding the hiring of consultants and individual contractors and are required to report such exceptions within the prescribed time frame to the Business Transformation and Accountability Division, which has the role of monitoring such exceptions. At present, the Office of Human Resources and the Division meet regularly – and will do so going forward – to review exceptions to determine whether changes to the policy framework are required.	The Board notes that the recommendation was made because there was no clarity regarding how to verify and establish special circumstances for engaging individual contractors for a period of nine months. While the heads of entities have the delegated authority to make exceptions, the circumstances under which exceptions can be made need to be broadly laid down. In view of the above, the recommendation is considered to be not implemented.			X	
109	2017	A/73/5 (Vol. I), chap. II, para. 144	The Board recommended that the Administration ensure suitable measures for sharing employment information across United Nations entities to flag possible instances of violation of the applicable business rule(s) and put in place an appropriate mechanism to monitor them.	The Administration requests that this recommendation be closed because a mechanism is in place to verify data and monitor exceptions by the Business Transformation and Accountability Division in support of the Office of Human Resources. The development of a central system that gathers human resources data from all United Nations system organizations is not economically viable, for it would require the integration of multiple enterprise resource planning systems with diverse coding. The Administration is of the opinion that the solution that is in place following management reform addresses the issue.	The Board notes that the recommendation was made because the sharing of employment information among United Nations entities was important for ensuring compliance with the business rules. Hence, it is necessary to develop a mechanism for the sharing of employment information across United Nations entities, which need not necessarily be the integration of multiple enterprise resource planning systems.			X	

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					The Board considers the recommendation to be not implemented.				
110	2017	A/73/5 (Vol. I), chap. II, para. 150	The Board recommended that the Administration assess how best to encourage equitable burden-sharing as part of its review of the managed mobility programme.	The findings of the comprehensive review of the mobility programme, which had been paused, were submitted to the General Assembly at its seventy-third session and considered at its seventy-fourth session, but there was no corresponding Assembly resolution. On the basis of the findings of the comprehensive review, a new approach is being developed, and the Secretary-General intends to submit his report on a new approach at the seventy-fifth session of the Assembly.	The Board notes the response and considers it to be under implementation.		X		
111	2017	A/73/5 (Vol. I), chap. II, para. 156	The Board recommended that the Office of Human Resources Management review the recruitment process in order to address the reasons for delays at all the critical stages.	August 2019: the Office of Human Resources made efforts to improve the recruitment timelines through policy and procedural changes, as specified below: 1. Proposal to further reduce posting period: • In 2018, the Office of Human Resources Management made another proposal for a reduction in the posting period to 30 days by demonstrating the benefits of a shorter posting period in the overall recruitment timelines in A/73/372/Add.1. • Job openings for job openings in the Professional and higher categories at Headquarters, offices away from Headquarters and the regional commissions have been advertised for 45 days following the decision of the General Assembly in its resolution 71/263 to allow that on a provisional basis. Comparing the recruitment timelines for job openings posted for 45 days with those advertised for 60 days in	The Board notes the response of the Administration and the steps taken to improve the recruitment timelines. However, the response does not address the results of the review of the recruitment process conducted, if any. In addition, delays are still being noticed in the recruitment process. Furthermore, the Board will carry out verification of the status during its next audit and hence considers the recommendation to be under implementation.		X		

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				2017, the Office of Human Resources Management was able to show that the recruitment timeline was shortened without any adverse impact on the total number of applicants, including those from developing countries (A/73/372/Add.1, table 6). The average duration of the recruitment process for job openings posted for 45 days was 166 calendar days, compared with 200 calendar days for job openings posted for 60 days. Furthermore, those posted for 45 days had an average of 316 applications, compared with 272 applications for 60-day postings. With regard to the average number of applications from developing Member States, the number increased to 197 from 165, notwithstanding the shorter duration of postings; 2. Standard procedure simplification and streamlining, and corresponding Inspira enhancements: • At the end of 2017, the procedural requirement for recording the results of a personal history profile review and for the selection of roster candidates was simplified and implemented through corresponding enhancements deployed in the online talent management platform, Inspira. Those changes were intended to remove the administrative burden from the hiring managers, which was understood to cause delays at the "recommendation of candidates" stage. That the stage was identified in the report of the Board as one of the main bottlenecks. • While reviewing personal history profiles to determine whether applicants meet the basic evaluation criteria of job					

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				openings in the areas of academics, work experience and language for shortlisting, it is no longer mandatory to leave an individual rating for each of these areas. The system was enhanced to enable hiring managers to change the disposal of applications in fewer steps. • Hiring managers are no longer required to leave official records in Inspira for the recommendation of roster candidates for selection. This is because roster candidates are preapproved candidates. The system was enhanced to provide expedited means for recommending those candidates. Towards a further reduction in the recruitment timelines, the Office of Human Resources Management had planned multiple enhancements to Inspira, including proposals for more detailed screening questions, video interviews and simplified interview reports, some of which were specified in A/73/372. Following the implementation of the management reforms in 2019, the Office of Human Resources has provided input to the Department of Operational Support for its work in developing processes for efficient recruitment. Going forward and following the management reforms, further "process improvements" in the area of recruitment, in accordance with paragraph 179 of A/72/492/Add.2, will be carried out by the Department, which will develop recruitment processes for entities with delegated authority, facilitate recruitment for entities without delegated authority, manage rosters across all job families, ensure an integrated approach to the use of the					

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				various staffing modalities available within the Secretariat, such as job openings, generic job opening and recruitment from rosters, and develop tools and processes to help entities to meet targets related to the effectiveness and efficiency of the recruitment process. Additional supporting documents were provided on 14 July 2020.					
112	2017	A/73/5 (Vol. I), chap. II, para. 160	The Board recommended that the Administration ensure adequate support to the implementation of the system-wide strategy on gender parity to achieve the desired goals.	The Office of Human Resources continues to make efforts to achieve gender parity by the deadline of 2028, in line with the Secretary-General's system-wide strategy on gender parity. During 2019 and the first quarter of 2020, the Office implemented measures to ensure that job openings were gender-inclusive and able to attract to a broad talent pool, including more women for field positions. It is also making gender-related policy revisions, such as a revision of administrative instruction ST/AI/1999/9, on special measures for the achievement of gender equality. Efforts are also being made to have rosters more gender-balanced, with more qualified female candidates, and to leverage upcoming retirements to improve gender parity.	The Board notes the response and considers the recommendation to be under implementation.		X		
113	2017	A/73/5 (Vol. I), chap. II, para. 166	The Board reiterated its previous recommendations (see A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr.1, chap. II, para. 211 and A/71/5 (Vol. I), chap. II, para. 166) that the Administration should strengthen its performance monitoring mechanisms to ensure the completion of the performance	The completion of the performance management compliance target remains the responsibility of the heads of entities, and compliance is monitored through each head of entity's compact with the Secretary-General. Following the management reforms, the monitoring of compacts has been the responsibility of the Business Transformation and Accountability Division. The Division has created a management dashboard	The Board notes that the Business Transformation and Accountability Division is monitoring delegated authorities through a suite of key performance indicators, including three pertaining to human resources. It also noted that management dashboards	X			

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			management compliance target by the entities.	that enables all heads of entities to monitor performance management in real time. The Office of Human Resources continues to ensure that heads of entities are made aware of their responsibility through the new senior leader induction programme. The Administration considers this recommendation to have been implemented and requests its closure by the Board.	have been created to monitor the achievement of the set targets. In view of the above, the recommendation is considered to have been implemented.				
114	2017	A/73/5 (Vol. I), chap. II, para. 167	The Board recommended that the Administration verify the human resources Insight datasheet and the human resources strategic indicator dashboard to ensure that the performance management compliance data are uniform and consistent.	The completion of the performance management compliance target remains the responsibility of the heads of entities, and compliance is monitored through each head of entity's compact with the Secretary-General. Following the management reforms, the monitoring of compacts has been the responsibility of the Business Transformation and Accountability Division. The Division has created a management dashboard that enables all heads of entities to monitor performance management in real time. The Office of Human Resources continues to ensure that heads of entities are made aware of their responsibility through the new senior leader induction programme. The Administration considers this recommendation to have been implemented and requests its closure by the Board.	The Board notes that the response of the Administration does not address the recommendation and considers the recommendation to be not implemented.			X	
115	2017	A/73/5 (Vol. I), chap. II, para. 179	The Board recommended that the Administration develop a process to strengthen oversight and put in place a compliance mechanism for the delegation of procurement authority and use the results to regularly review the delegations	The report of the Secretary-General provided a mandate for the Business Transformation and Accountability Division of the Department of Management Strategy, Policy and Compliance. Further details were given in Secretary-General's bulletin ST/SGB/2019/2 on the delegation of	The United Nations reform changed the organization of the delegation of authority. In addition, a new division tasked with monitoring was established. While the accountability				X

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			and, if necessary, adapt or even withdraw them.	authority and in the accountability framework for monitoring the exercise of delegated decision-making authority.	framework is not yet mature, the Board acknowledges the progress made and considers the recommendation to have been overtaken by events.				
116	2017	A/73/5 (Vol. I), chap. II, para. 183	The Board recommended that the Administration ensure that the Procurement Manual and related policies are regularly reviewed and updated and that the review and updating function be segregated from operational procurement functions.	The Procurement Division is continuously reviewing the provisions and guidance stipulated in the Procurement Manual and assesses whether revisions are required. This is conducted in a methodological manner, whereby internal review is conducted, taking into account the feedback from client entities, and additional operational guidance is issued when needed. The Office of the Director of the Procurement Division has recently established an inventory listing potential revisions of specific sections of the Manual, which, among other things, take into consideration audit recommendations, feedback from client entities and any issues that become apparent from the operational perspective during the execution of procurement actions by Division staff and editorial revisions. It is foreseen that this inventory will be a living document with continuous stock-taking, periodic reviews and decisions on the implementation of the inventoried items.	The recommendation is considered to have been implemented.	X			
117	2017	A/73/5 (Vol. I), chap. II, para. 191	The Board recommended that the Procurement Manual clarify that the procurement officer must assess the market conditions and industry practices before technical specifications are drafted and justify deviations.	The Administration wishes to reiterate that active market research and knowledge of the market have been an integral part of the solicitation process. The Procurement Manual published in 2019 includes a chapter (5.2) on market research, in addition to linking it to the process of sourcing (chap. 5).	The Board notes that the market research in accordance with the Procurement Manual still focuses on research for vendors. While the category management is aimed at understanding		X		

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				With the introduction of category management strategies, the Procurement Division will continue its research into the supply market, in line with category strategies developed for relevant goods and services, and will share such analysis with technical experts to ensure that the technical specifications are aligned with client requirements and market capability.	client needs and specific supply markets, the Administration is still in the process of developing strategies. The recommendation remains under implementation.				
118	2017	A/73/5 (Vol. I), chap. II, para. 192	The Board recommended that the Procurement Manual clarify that the procurement officer is responsible for ensuring impartial, well-defined, appropriate and measurable evaluation criteria and determining their weighting, taking into account the responsibility of the requisitioner as the technical expert.	The Administration considers the recommendation to have been fully implemented. The updated Procurement Manual provides clear guidance on the following: (a) The responsibilities of the procurement official and the requisitioner, in sections 2.3 and 2.4, respectively; (b) Segregation of duties, in section 2.9; (c) Technical and commercial evaluations, in sections 8.6 and 8.7, respectively.	The revised Procurement Manual was published in 2019. The recommendation is considered to have been implemented.	X			
119	2017	A/73/5 (Vol. I), chap. II, para. 199	The Board recommended that the Procurement Division, in collaboration with requisitioners, analyse the reasons for extending contracts beyond the agreed maximum contract period and the reasons for late submission of statements of work and amendments to the original contract terms and develop measures to preclude repeated extensions.	The Procurement Division analyses the reasons for contract extensions on a case-by-case basis. With regard to the recommendation to develop measures to remedy the repeated extensions, the Division has various measures in place for alerting requisitioners of upcoming contract expiration dates and communicates extensively to prevent instances in which extensions become necessary. Going forward, the Administration wishes to reaffirm that the comprehensive supply chain performance management framework is expected to provide visibility to analyse and monitor the timelines in the acquisition process and undertake, in	The recommendation is considered to have been implemented.	X			

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				conjunction with requisitioners and the Division, a root cause analysis for delay. The improved acquisition planning system being implemented should also address extensions beyond the envisaged contract duration and improve and mitigate such occurrences.					
120	2017	A/73/5 (Vol. I), chap. II, para. 205	The Board recommended that the Administration establish a clear timeline for the decommissioning of CATS and migrating its functionalities and data to Umoja.	The decommissioning of the Contract Administration Tracking System was completed by the end of April 2020.	The recommendation is considered to have been implemented.	X			
121	2017	A/73/5 (Vol. I), chap. II, para. 215	The Board recommended that the Administration ensure that all disbursements are made within 10 working days, as prescribed in the operational handbook for country-based pooled funds.	The Office for the Coordination of Humanitarian Affairs stated that the global average of disbursement, except for United Nations Development Programme-managed funds, was below six working days. Some exceptions happen owing to local banking legislation, and Office of Foreign Assets Control regulations.	The Board noted that there has been relative improvement in the overall disbursement of funds for country-based pooled funds. The one managed by the Office for the Coordination of Humanitarian Affairs has disbursement carried out within the prescribed timeline. Considering the fact that a change is being introduced in the country-based pooled funds, which had been managed by the United Nations Development Programme, the context of this recommendation is being changed. Given these circumstances, the Board considers the recommendation to have been implemented.	X			
122	2017	A/73/5 (Vol. I), chap. II, para. 216	The Board recommended that, in cases of funds managed by other agencies, more concerted efforts be made to ensure adherence	Management stated that all new projects signed in 2020 onwards for all country-based pooled fund projects would fall under the responsibility of the Office for	The Board noted that the recommendation concerned the efforts made towards improving				X

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			with the requirements of the global guidelines and the grant management system and the timely disbursal of funds and their proper monitoring.	the Coordination of Humanitarian Affairs because the managing agent function of the Central African Republic, the Democratic Republic of the Congo, South Sudan and the Sudan, which had previously been with the United Nations Development Programme, was taken over by the Office in January 2020.	adherence to the requirements of global guidance and was not specifically about the transfer of the managing agent function to the Office for the Coordination of Humanitarian Affairs. The trend of underperformance in funds managed by other agencies has not improved vis-à-vis the improvements in the performance of funds managed directly by the Office. However, the context of the observation has changed substantially. The Board considers the recommendation to have been overtaken by events.				
123	2017	A/73/5 (Vol. I), chap. II, para. 225	The Board recommended that the Administration review the projects for which monitoring visits and financial spot checks are overdue and carry out these visits and checks in the projects where audit has not yet been triggered.	The Office for the Coordination of Humanitarian Affairs stated that monitoring visits of projects had increased from 69 per cent in 2017 to 85 per cent in 2019. In addition, financial spot checks increased from 45 per cent in 2017 to 74 per cent in 2019.	The Administration had previously stated that it continuously reviewed all projects where monitoring and financial spot checks were overdue and carried these out within the project cycle and before the audit is triggered unless field circumstances prevented that. It also stated that the monitoring visits and financial spot checks had increased considerably. However, the pending recommendation was				X

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					very specific to the context because it was recommended that visits and spot checks be carried out in the projects where the audit had not yet been triggered. The Office for the Coordination of Humanitarian Affairs has not responded regarding this specific issue, and most of the cases that were part of that recommendation would have been completed by this time. This recommendation is therefore considered to have been overtaken by events.				
124	2017	A/73/5 (Vol. I), chap. II, para. 234	The Board recommended that the implementation of the use of the partner performance tool be closely monitored to ensure strengthened monitoring and control.	The Office for the Coordination of Humanitarian Affairs stated that it was actively using the partner performance tool to closely follow up on performance and adjust risk scores on a real-time basis. Gaps in monitoring are addressed as part of the recommendation.	The Board notes that, because the Office for the Coordination of Humanitarian Affairs is using the partner performance tool to closely follow up on performance and adjust risk scores, the recommendation is considered to have been implemented.	X			
125	2017	A/73/5 (Vol. I), chap. II, para. 241	The Board recommended that the Administration review all cases of refunds that are pending from the implementing partners and take necessary action as stipulated in the operational handbook.	A long-term agreement for the audit services has resulted in significant progress being made in clearing the backlog of audits in the different funds. The refund module of the grant management system was tracking the refunds from implementing partners and showed all outstanding refunds before or	The Board notes that a significant number of refunds remains pending, as observed in the current audit. Therefore, the recommendation is considered to be under implementation.		X		

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				after the audit. This refund module also provides an email alert notifying the implementing partner to process the refund.					
126	2017	A/73/5 (Vol. I), chap. II, para. 242	The Board recommended that audits of the projects be completed on a priority basis to ascertain the exact amount of the refunds due from implementing partners and to initiate appropriate action to recover the amounts.	The audit backlog had been addressed and this recommendation had been implemented, with the exception of two funds in which the audit backlog was on account of various administrative issues. The Administration is actively addressing these issues.	The Board notes the response given by the Administration. The recommendation is considered to be under implementation.		X		
127	2017	A/73/5 (Vol. I), chap. II, para. 248	The Board recommended that the Administration draw up a time-bound programme for the review of all overdue guidance documents and ensure its implementation.	The recommendation is under implementation. On the basis of the recommendations resulting from the 2019 global country-based pooled fund evaluation, a number of policy and guidance areas have been identified for priority review, while the time frame for implementation is linked to internal capacity. With regard to the broader Office for the Coordination of Humanitarian Affairs corporate guidance system, the Office's senior management team decided that, in the light of budgetary constraints and other ongoing organizational change priorities, any future work on the development of the corporate guidance system would be postponed until further review.	The Board notes the response given by the Administration. The recommendation is considered to be under implementation.		X		
128	2017	A/73/5 (Vol. I), chap. II, para. 259	The Board recommended that the Administration closely monitor the preparation of detailed actionable plans to implement the risk response and risk treatment plans stemming from the fraud and corruption risk registers and periodically report thereon to the Management Committee.	The Administration updated the Secretariat-wide risk register in 2019 and presented it to the Management Committee. The Committee reviewed and approved the risk register and the list of proposed risk owners, including the risk owners of fraud and corruption, at its 15 July meeting. Upon the approval of the register, corporate risk owners will be tasked with developing detailed risk treatment and response plans for the	The Board notes the response given by the Administration that the risk register was approved by the Management Committee, after which the actions are to be implemented. The recommendation is		X		

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				high-priority risks, which will outline the specific risk treatment action that management plans to introduce to further mitigate risks and the associated implementation timelines. In addition, the updated risk register will be disseminated to all entities, which will guide and assist in the development of local assessments, with the support of the Department of Management Strategy, Policy and Compliance. Corporate risk owners and the Department will periodically report to the Management Committee on the implementation of action plans and progress on local risk assessments.	considered to be under implementation.				
129	2017	A/73/5 (Vol. I), chap. II, para. 260	The Board recommended that the Administration harmonize the enterprise risk management corporate risk registers and the fraud and corruption risk registers so as to synergize their risk mitigation strategies.	As recommended by the Board, the new Secretariat-wide risk register consolidated the results of the previously implemented Secretariat-wide risk assessment and fraud and corruption risk assessment. The updated risk register therefore serves as an effective managerial and decision-making tool, with all functioning and operating risk mitigation strategies presented in an integrated manner.	The Board notes the Administration's response and will carry out a verification of the harmonization of risk registers during its next audit. The recommendation is therefore considered to be under implementation.		X		
130	2017	A/73/5 (Vol. I), chap. II, para. 261	The Board recommended that the Administration devise a suitable monitoring mechanism at the Secretariat level for ensuring the sustained implementation of risk mitigation actions at the department, office and mission level.	The Business Transformation and Accountability Division will monitor progress and periodically report to the Management Committee on the implementation, updating and maintenance of the new Secretariat-wide risk register that was completed in 2020. In this manner, a strategic enterprise risk management and control process will become instrumental to the progressive promotion of a risk-aware culture throughout the entire Organization. In addition, the Secretariat-wide risk register will provide strategic guidance	The Board notes the response given by the Administration and that the implementation of the recommendation is targeted for December 2020. The recommendation is considered to be under implementation.		X		

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				on the development of local risk registers, which will include the sustained implementation of risk mitigation action at the department, office and mission levels.					
131	2017	A/73/5 (Vol. I), chap. II, para. 267	The Board recommended that the Administration, based on the results of the assessment, prepare an anti-fraud and anti-corruption strategy, along with an action plan, providing performance indicators and suitable monitoring mechanisms.	The fraud and corruption risk assessment was recently updated and streamlined with the Secretariat-wide risk assessment. Going forward, the Secretariat's objectives are to prepare anti-fraud and anti-corruption guidelines and an anti-fraud and anti-corruption strategy, along with an action plan. It is proposed that a working group, which will be responsible for the preparation of these documents, be established. It will include representatives from different United Nations departments and offices and will address the diversity of business models in the Secretariat so as to ensure that the strategy and guidelines are relevant and applicable throughout the Secretariat. The guidelines and strategy papers are intended to increase awareness throughout the Organization on the subject matter, to improve the reporting mechanisms for suspected events and to strengthen the existing systems for corrective action.	The Board notes the response given by the Administration and that the implementation of the recommendation is targeted for June 2021. The recommendation is considered to be under implementation.		X		
132	2017	A/73/5 (Vol. I), chap. II, para. 273	The Board recommended that the Administration analyse how a coherent fraud risk management programme for the procurement function should be implemented and provide necessary instruction or guidance to offices away from Headquarters, regional commissions, field missions and other offices of the Secretariat.	The Administration stated that comprehensive information had been published in the updated Procurement Manual (sect. 8.8.8), applicable to all Secretariat entities. This section includes information on the identification of risks of potential proscribed practices, such as fraud, bid rigging and price fixing, and provides specific guidance on to whom to report potential proscribed practices. In addition, in accordance with Secretary-General's bulletin	Section 8.8.8 of the Procurement Manual does not qualify as a comprehensive fraud risk management programme for the procurement function. The Board also notes that Secretariat-wide actions are ongoing. The recommendation remains under implementation.		X		

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				ST/SGB/2018/4, all Secretariat staff, including procurement staff, are subject to mandatory fraud prevention training courses. This training is available online through Inspira and at the procurement training campus. The Administration further stated that the 2017 risk assessment had been updated and incorporated into the revised Secretariat-wide risk assessment. The Management Committee approved the updated risk register in July 2020. Furthermore, the Conduct and Discipline Service was committed to working with the Office of Supply Chain Management to contribute to establishing a fraud risk management programme for the procurement function, with the support of the Business Transformation and Accountability Division.					
133	2017	A/73/5 (Vol. I), chap. II, para. 274	The Board recommended that the Administration establish a comprehensive fraud risk management programme for the Procurement Division that provides for the proactive implementation of the Anti-Fraud and Anti-Corruption Framework at all levels and incorporates leading practices for addressing fraud and corruption risks in the procurement function.	The Procurement Division accepted the recommendation and stated that it had laid the groundwork for fraud prevention. The Division also agreed that further efforts to strengthen anti-fraud aspects needed to be undertaken in line with the three lines of defence model. The Administration conducted fraud detection and prevention training for staff in June 2018 focusing on combating bid rigging in public procurement. A significant portion of that workshop was devoted to highlighting to participants relevant policies and procedures, including the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat (ST/IC/2016/25), that were in place. The Administration also stated that the 2017 risk assessment had been updated	The Board notes that no comprehensive fraud risk management programme for the Procurement Division has been established. The recommendation remains under implementation.		X		

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				and incorporated into the revised Secretariat-wide risk assessment. The Management Committee approved the updated risk register in July 2020. Furthermore, the Conduct and Discipline Service is committed to working with the Office of Supply Chain Management to contribute to establishing a fraud risk management programme for the procurement function, with the support of the Business Transformation and Accountability Division.					
134	2017	A/73/5 (Vol. I), chap. II, para. 275	The Board recommended that the Administration ensure that the United Nations Office at Nairobi performs risk assessment and prepares risk registers at entity level and at the level of each division.	The United Nations Office at Nairobi reported that it had completed the preparation of its risk register in accordance with the Secretariat methodology. In this respect, it provided two documents, the first related to the Division of Administrative Services and the second related to the Division of Conference Services. Both documents include the risk details from the client's perspective. The Office also stated that minor fine-tuning was under way, especially regarding cross-cutting risks. With regard to the performance of the risk assessment, management explained that there was a gap in the current risk register of the United Nations Office at Nairobi, adding that a specific process to assess the Office's specific risk drivers on fraud and corruption and existing internal control effectiveness was planned, with the assistance of the legal office. With respect to the internal capacity of the Office to perform fraud and risk assessments, the Office reported that two focal points had been appointed in 2019.	The Board notes the information provided by the Administration and, given that the process is ongoing, considers this recommendation to be under implementation.		X		

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135	2017	A/73/5 (Vol. I), chap. II, para. 290	The Board reiterated its recommendation that the Administration finalize, and issue under appropriate authority, its standard template agreement with implementing partners to include appropriate anti-fraud, sanctions and audit clauses.	The grantor management module was deployed in all Secretariat entities in December 2019. As part of its functionality, template agreements with implementing partners, which include mandatory clauses, can be created.	The reply of the Administration does not address the inclusion of anti-fraud sanctions and audit clauses in the standard template agreement with implementing partners. The Board considers this recommendation to be under implementation.		X		
136	2017	A/73/5 (Vol. I), chap. II, para. 291	The Board recommended that the Administration continue to strengthen, in a time-bound manner, its accountability and internal control framework, including the implementation of the three lines of defence model, the development of a statement of internal control and the preparation of a centralized repository of information concerning the delegation of authority.	The Secretary-General has submitted to the General Assembly the ninth progress report on the accountability system. This report outlined the three lines of defence model and the new delegation of authority framework that will be supported by the Business Transformation and Accountability Division. A statement of internal control will be in place by the first quarter of 2021. Under the statement, heads of entities will be required to sign a statement at the end of each calendar year attesting to compliance with the internal control framework under their areas of responsibility.	The Board noted that a statement of internal control was scheduled to be in place by the first quarter of 2021. The Board considers the recommendation to be under implementation.		X		
137	2017	A/73/5 (Vol. I), chap. II, para. 303	The Board recommended that the Administration consider setting up a formal mechanism for reviewing and strengthening fraud and corruption prevention controls, or embedding it in an existing mechanism, based on lessons learned from dealing with fraud and corruption cases in the Secretariat.	This recommendation and the one contained in paragraph 159 of A/69/5 (Vol. I) are closely related, and the Secretariat has been taking a step-by-step approach to implement both of them as follows: (a) Issuance of the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat in 2016; (b) The conduct of a fraud and corruption risk assessment in 2017. In addition, in the context of updating the Secretariat-wide risk assessment,	The Board notes the response given by the Administration and that the implementation of the recommendation is targeted for first quarter of 2021. The recommendation is considered to be under implementation.		X		

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				during which fraud was identified as one of the risks affecting the Organization and the anti-fraud risk assessment was streamlined therein, the Secretariat reviewed the investigation reports issued by the Office of Internal Oversight Services during the period 2014–2018 and identified the most common sources of fraud and corruption: (a) implementing partners; (b) procurement rigging; (c) theft; (d) bribery; (e) benefits and allowances; and (f) medical insurance fraud. The next step consists of establishing a task force with the objective of preparing Anti-Fraud and Anti-Corruption Guidelines: These guidelines are intended to provide United Nations personnel with insight into how fraud and corruption manifest themselves in the Secretariat and outline the structures in place to deter and detect fraud and corruption and the mechanisms and actions undertaken by the Organization to prevent, detect, deter, respond to and report on fraud and corruption. The anti-fraud and anti-corruption strategy will include a set of specific actions to be implemented to protect the United Nations and its operations from fraud and corruption, with the objective of increasing awareness throughout the Organization on the subject matter, strengthening the capacity of managers to prevent, detect and act on cases of fraud and corruption, improving the reporting mechanisms for suspected actions, strengthening the existing systems for corrective actions, and avoiding a recurrence of actions of this nature within the Organization. These					

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				efforts are expected to be finalized by the first quarter of 2021.					
138	2017	A/73/5 (Vol. I), chap. II, para. 311	The Board recommended that the Ethics Office, in conjunction with OIOS, devise suitable measures to ensure that each retaliation case is dealt with expeditiously and that any constraints in doing so are suitably addressed.	No update was received from the Administration.	The Board noted that, in A/74/5 (Vol. I), the Administration had stated that the recommendation had been implemented. However, the related documents are still awaited, and, therefore, the Board considers this recommendation to be under implementation.		X		
139	2017	A/73/5 (Vol. I), chap. II, para. 323	The Board recommended that the Administration address all impediments, in OIOS and the Office of Human Resources Management, to the expeditious settlement of cases. Suitable performance indicators may be introduced, wherever missing, to provide a time frame for completion of such cases.	As of the end of 2019, the average completion time of an Investigations Division case was approximately 10.7 months. On the basis of the efforts made to reduce the completion time, the Administration requests the Board to close this recommendation.	The Board acknowledges the response of the Administration but notes that the response is silent on the introduction of suitable performance indicators to provide a time frame for the completion of the cases. Hence, the recommendation is considered to be under implementation.		X		
140	2017	A/73/5 (Vol. I), chap. II, para. 324	The Board recommended that the Administration introduce an end-to-end monitoring system capable of tracking all cases across offices, from the time of their receipt until the time of their final disposal.	Work is under way to expand the Misconduct Tracking System, developed for and in use by United Nations peace operations since 2008, into a Secretariat-wide case management tracking system. It is hoped that the new system, subject to the complexity of the COVID-19 pandemic and other related challenges, will be rolled out in late 2020 or early in 2021. It will feature elements of the existing Misconduct Tracking System and dedicated modules for disciplinary matters and appeals, making it an end-to-end system for the reporting, tracking and management of all reports of	The Board notes the response given by the Administration and that the Secretariat-wide case management tracking system is expected to be rolled out in late 2020 or early in 2021. The recommendation is considered to be under implementation.		X		

						Status after verification			
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				misconduct in the Secretariat. The new system will enable users to keep records of reported matters of possible misconduct from the receipt of the complaint to the end of a possible appeal process. A scoping exercise was carried out in 2019 in order to establish the business needs for the expanded system. Feedback was also requested from users of the existing Misconduct Tracking System in United Nations field operations and in the Investigations Division of the Office of Internal Oversight Services. The technical requirements for the new modules on disciplinary matters and appeals, as well as enhancements to the System's database to make it compatible with the rest of the new system, were provided to the Office of Information and Communications Technology in February 2020. The Administrative Law Division will continue to engage with the development team throughout the development process. Taking into consideration the COVID-19 pandemic and subject to any impact that it may have on the ability to continue to carry out functions normally, the case management tracking system is expected to be in place by late 2020 or early in 2021. While the expanded system is being developed, conduct and discipline focal points throughout the Secretariat have been designated and are being provided access to record matters reported to them and relating to their own entity in the existing Misconduct Tracking System, and entries made in the System will carry over to the new case management tracking system. In this regard, video					

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				training materials have been made available to focal points through the Administrative Law Division Connect platform for self-paced learning.					
141	2017	A/73/5 (Vol. I), chap. II, para. 332	The Board recommended that the Secretariat assess the capacity available in various entities to conduct investigations which measure up to the United Nations professionalized system of administration of justice, and, wherever needed, initiate steps for building and enhancing such capacity.	Since 2018, the Office of Internal Oversight Services has augmented its investigative capacity with nine investigators who focus on undertaking sexual harassment investigations in line with the Office's commitment to undertaking the investigation of all sexual harassment matters. In addition, in 2019, a revised policy on addressing discrimination, harassment, including sexual harassment, and abuse of authority (ST/SGB/2019/8), was issued, and it focuses on prevention efforts and early intervention to ensure that all Secretariat staff members and non-staff personnel are treated with dignity and respect and that prohibited conduct is addressed by appropriate means, which includes holding offenders accountable. The new Secretary-General's bulletin shifted the approach regarding harassment matters, aligning it with administrative instruction ST/AI/2017/1 by requiring that all complaints be referred to the Office of Internal Oversight Services in the first instance. The Office may choose to investigate, close or refer the matter to the head of entity, who assesses and decides whether to undertake an investigation. If the head of entity decides to undertake an investigation, then he or she appoints a panel of qualified individuals to investigate. All heads of entities have access to a roster of individuals (serving staff members and recent retirees) who have been	In view of the action taken, the Board considers the recommendation to have been implemented.	X			

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				trained by the Office and the Office of Human Resources on how to conduct investigations. In 2019, in parallel with issuing the new Secretary-General's bulletin, the Office of Internal Oversight Services and the Office of Human Resources assessed the ongoing capacity of the Organization to carry out those types of investigations and took action to ensure that there was sufficient capacity Organization-wide to undertake those investigations. There is a training programme for lay panel investigators to ensure that they are properly trained to carry out these investigations to a consistent standard, in line with the requirements outlined in ST/AI/2017/1. The existing roster of trained lay panel investigators was reviewed, and all members were contacted to confirm their ongoing interest in participating and availability to participate in those panels. In addition, the Office of Internal Oversight Services and the Office of Human Resources also strengthened the training provided to lay panel investigators and, as previously noted, carried out multiple week-long training programmes in 2019 and 2020 in New York, Vienna and Nairobi to ensure that panel members were fully trained. Each of the recent training sessions added approximately 25 individuals to the roster; currently, there are 341 individuals on it. The roster is available to all entities; they do not need to use trained individuals from their own entity but may draw on the roster of serving staff members and retirees. The Office of Internal Oversight Services and the					

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				Office of Human Resources intend to keep the roster under active review and provide periodic training to ensure that it is maintained at appropriate levels and as resources permit. This will ensure that entities continue to have access to the capacity needed to conduct these investigations.					
142	2017	A/73/5 (Vol. I), chap. II, para. 338	The Board recommended that the Secretariat continue to actively consider the matter of the referral of cases to national authorities, with a view to further refining its procedures throughout the referral chain.	The Administration appreciates that the Board has noted the measures taken by the Administration and the indication that the Board will measure the time taken to effect referrals in the course of its next audit. The Administration considers this recommendation to be implemented and requests its closure by the Board.	The Board acknowledges the response of the Administration and notes that more cases relating to United Nations officials and experts on mission are being referred to Member States and followed up. The Board considers the recommendation to have been implemented.	X			
143	2017	A/73/5 (Vol. I), chap. II, para. 348	The Board recommended that, as an interim measure, the Department issue guidelines/ templates to promote uniformity in the preparation and monitoring of internal self-assessments.	The implementation of this recommendation is in progress. A framework for monitoring internal self-assessment is under discussion and remains a priority for the Department of Safety and Security.	The Board notes the response given by the Administration. The recommendation is considered to be under implementation.		X		
144	2017	A/73/5 (Vol. I), chap. II, para. 351	The Board recommended that the Department of Safety and Security fix periodicity for timely revision of the standards to accommodate the needs arising from changes in the security environment and rapid changes in technology.	The headquarters minimum operating security standards review is in its final stages and will be completed by the second quarter of 2020.	The Board notes the response given by the Administration. The recommendation is considered to be under implementation.		X		
145	2017	A/73/5 (Vol. I), chap. II, para. 364	The Board recommended that the Department issue a general bulletin to all designated officials and other security professionals to ensure improved compliance with the security risk	As indicated earlier, the Department of Safety and Security had established a monthly monitoring process for compliance and communicated the results at the beginning of each month to all security focal points of the United	The Board notes the action taken by the Administration but is of the view that a formal compliance matrix would be needed to improve the		X		

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			management process and that it develop a compliance monitoring matrix and present it to all the stakeholders.	Nations security management system organizations. The Department will incorporate these monthly results into a matrix and share it with its stakeholders.	quality of monitoring. Therefore, the Board considers this recommendation to be under implementation.				
146	2017	A/73/5 (Vol. I), chap. II, para. 377	The Board recommended that the Department establish a mechanism for confidentiality agreements with the security analysts who are dealing with security threat information and explore the possibility of restricting their use of social media at field locations.	In accordance with Secretary-General's bulletin ST/SGB/2019/5, all threat and risk service analysts are in compliance with the Board's recommendation.	On the basis of confirmation of the action taken by the Administration, the recommendation is considered to have been implemented.	X			
147	2017	A/73/5 (Vol. I), chap. II, para. 385	The Board recommended that the Department of Safety and Security develop a mechanism for the Division of Regional Operations and the Policy and Compliance Service to monitor the implementation of and compliance with the security management system policies.	Enhancing the business processes around the monitoring of compliance with policies and procedures has been established as a priority for the Department of Safety and Security, following the finalization of its strategic plan for the period 2020–2023. Discussions on the internal mechanism are ongoing.	The Board notes the response given by the Administration. The recommendation is considered to be under implementation.		X		
148	2017	A/73/5 (Vol. I), chap. II, para. 386	The Board recommended that the Inter-Agency Security Management Network develop a mechanism to periodically review the level of implementation of and compliance with security policies in the designated areas.	As reported earlier, the Department of Safety and Security will submit its annual report to the Inter-Agency Security Management Network on the results and impact of the compliance and monitoring and security management programme review functions. The mechanisms to periodically review the level of implementation and compliance with security policies are linked to the compliance monitoring architecture, which is under review.	The Board notes the response given by the Administration. The recommendation is considered to be under implementation.		X		
149	2017	A/73/5 (Vol. I), chap. II, para. 392	The Board recommended that the Critical Incident Stress Management Unit establish a mechanism to record, by date, the details of critical incidents	The Department of Safety and Security has hired a consultant to support the Critical Incident Stress Management Unit in designing and developing, with the Office of Information and	The Board notes the response given by the Administration. The recommendation is		X		

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			reported by the Division of Regional Operations and other entities and reconcile this information periodically with safety and security incident recording system figures to ensure that no critical incidents warranting intervention go unnoticed.	Communications Technology, a monitoring evaluation platform and data-recording system linked to the Safety and Security Incident Recording System that would allow all Unit counsellors to systematically monitor and reconcile the incidents reported in the System. The consultant designed the functionalities of the platform and submitted them to the Office, which estimated the development time for those functionalities to last up to six months, beginning in March 2020. The Department has approved the development of the platform and work is ongoing. In the meantime, the Unit is reconciling and recording the incidents recorded in the System mechanically.	considered to be under implementation.				
150	2017	A/73/5 (Vol. I), chap. II, para. 393	The Board recommended that the Critical Incident Stress Management Unit, in coordination with the designated officials and United Nations security management system organizations, review the existing number and locations of counsellors to ensure the availability of adequate capability to respond to the needs of affected personnel and eligible family members.	The Critical Incident Stress Management Unit continues to monitor the psychosocial needs of staff in the field and provide guidance and recommendations to Security Management Team on mitigating measures to address staff psychosocial needs, including the development of local sustainable capabilities on critical incident stress management. This methodology has allowed the Unit, over the past year, to have the Security Management Team hire 14 new counsellors on a full- or part-time basis in the five Department of Safety and Security regions.	The Board notes the response given by the Administration. The recommendation is considered to be under implementation.		X		
151	2017	A/73/5 (Vol. I), chap. II, para. 401	The Board recommended that the Training and Development Section maintain a consolidated database containing details on all trainees and training courses conducted by the Department.	The short-term solution remains in place for the United Nations Security Managers Information Network on reporting data related to the completion of training. For the long-term solution, the Office of Information and Communications Technology has conceded that a new learning	The Board notes the response given by the Administration. The recommendation is considered to be under implementation.		X		

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				management system is needed as the basis for the web platform and to properly manage the training data, and permitted the Department of Safety and Security to source the system from an external vendor, which the Department initiated in December, and the procurement process is pending with the Procurement Division.					
152	2017	A/73/5 (Vol. I), chap. II, para. 411	The Board recommended that the Department of Safety and Security review the existing biennial programme plan and programme budget to consider inclusion of the non-mapped critical parameters indicated above.	Following General Assembly resolution 72/266, the results framework in the biennial programme plan that outlined "expected accomplishments", "indicators of achievement" and "performance measures" has been replaced with a streamlined presentation, with a focus on performance reporting, in the new budget format. The programmatic narrative for the Department of Safety and Security reflects the strategy and the planned results for the implementation of these two parameters at the departmental level in the proposed programme budget (A/74/6 (Sect. 34)), with main deliverables (outputs) planned for the budget period. This recommendation should be considered implemented.	On the basis of confirmation of the action taken by the Administration, the recommendation is considered to have been implemented.	X			
153	2017	A/73/5 (Vol. I), chap. II, para. 425	The Board recommended that the Secretariat devise a suitable mechanism to ensure better coordination between the Office of the Controller, OIOS and other Secretariat offices for a complete and comprehensive reporting of cases of fraud and presumptive fraud.	A new mechanism has been put in place to report presumptive fraud, fraud and updates from previous years. The status of presumptive fraud cases from previous years is systematically checked.	The Board acknowledges the response of the Administration and considers the recommendation to be under implementation.		X		
154	2018	A/74/5 (Vol. I), chap. II, para. 32	The Board reiterated the recommendation that the Administration undertake a comprehensive review of the functionalities of the Umoja	The Administration has been working with the Umoja team to implement further automation of the business planning and consolidation module. Automation of segment reporting for	The Board notes the status provided by the Administration and considers this		X		

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			business planning and consolidation module and take necessary corrective action to eliminate the need for manual adjustments and interventions in the preparation of the financial statements.	volume I has been tested and moved to the production environment in time for preparation of the 2019 financial statements. Owing to the mandated priority to complete Umoja Extension 2 in 2020, other automation items are scheduled to be completed by 31 December 2021. A revision of the target date to December 2021 is therefore requested.	recommendation to be under implementation.				
155	2018	A/74/5 (Vol. I), chap. II, para. 39	The Board reiterated its recommendation that the Administration strengthen its scrutiny of open commitments after the closure of the budget period and that action be taken on open outstanding commitments at the end of 12 months after the budget period according to the provisions of the Financial Regulations and Rules.	The Administration continues to consider this recommendation to have been implemented and will continue its strengthened review and monitoring of commitments. It is therefore requested that the Board close the recommendation.	The Board observed that no further comment or document was furnished by the Administration after what had been provided in A/74/5 (Vol. I). In view of this, the Board considers this recommendation to be under implementation.		X		
156	2018	A/74/5 (Vol. I), chap. II, para. 46	The Board reiterated the recommendation that the Administration review and appropriately strengthen the system of asset capitalization in view of the inaccuracies noticed. The Board further recommended that internal controls over disposal of assets be strengthened and all necessary disposal processes be completed on time.	With respect to asset capitalization, the Administration will explore ways of strengthening the system of asset capitalization and consideration will be given to the practical implementation of the Financial Regulations and Rules of the United Nations and accounting instructions. Going forward, the Administration will continue to review these discrepancies to assess significance and materiality, and changes may be applied to the material master, if required. With respect to the disposal process, the Administration has undertaken several initiatives for strengthening internal controls, including the following: (a) Publishing the revised delegation of authority framework for property	The Board notes the response of the Administration and noted similar inaccuracies in asset capitalization and delays in the derecognition and disposal of assets in 2019. The Board therefore considers this recommendation to be under implementation.		X		

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				management, along with the accountability framework; (b) Enabling self-service capability by rolling out business intelligence tools for property management, along with job aids and training for the entities; (c) Extending the property management performance monitoring framework to all Secretariat entities.					
157	2018	A/74/5 (Vol. I), chap. II, para. 57	The Board recommended that the Administration review and appropriately strengthen the system of capitalization of intangible assets and improve the alignment of capitalization of Umoja with the deployment of the functionality concerned.	The Administration accepted the recommendation, and discussions were held with the Umoja deployment team at the end of 2019 to review any newly completed functionality. The SAP HANA procurement raised by the Board in 2018 was capitalized in 2019. To enable better monitoring of other software procurement, a Work Breakdown Structure Element (cost collector in Umoja) was created under the Office of Information and Communications Technology project structure, which allows the Finance Division to analyse software purchases for capitalization. The Work Breakdown Structure Element was reviewed at the end of 2019 and will continue to be reviewed. The recommendation is considered to have been implemented and its closure by the Board is requested.	The Board notes the response of the Administration. It also notes similar inaccuracies in the capitalization of intangible assets in 2019. The Board therefore considers this recommendation to be under implementation.		X		
158	2018	A/74/5 (Vol. I), chap. II, para. 63	The Board recommended that the Administration take measures to clean up the data migrated from Galileo to address the data quality issues in inventories and carry out physical verification exercises in all the special political missions.	The Administration expresses satisfaction with the results obtained from the physical inventory reconciliation and optimization project, which concluded on 31 July 2019. Entities will continue to review ongoing operations and will be monitored through tools currently in use and key performance indicators.	The Board notes the response of the Administration. It also notes control issues with the monitoring and follow-up of physical inventory reconciliation and optimization adjustments in the 2019		X		

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					financial statements. The Board therefore considers this recommendation to be under implementation.				
159	2018	A/74/5 (Vol. I), chap. II, para. 71	The Board recommended that the Administration evolve a comprehensive policy and guidelines detailing an approved list of services under each activity, devising a method for apportioning the common overheads relating to cost-recovery activities and designating responsible persons at the entity level to promote accountability and transparency in the review and monitoring of cost-recovery activities.	Guidance is provided at the beginning of the financial year for all cost-recovery activities.	The Board had recommended more comprehensive action, rather than issue of guidance at the beginning of the year. The Board considers the recommendation to be under implementation.		X		
160	2018	A/74/5 (Vol. I), chap. II, para. 72	The Board also recommended that the Administration take the necessary action for realizing outstanding receivables for cost-recovery activities and that it carry out regular follow-up for timely recovery of these outstanding amounts.	The Administration follows up on a monthly basis on all outstanding receivables to ensure their timely recovery. In addition, Headquarters service providers began accepting credit cards for service and requesting advanced payment for meeting and conference services. Both measures should reduce the number of outstanding receivables for cost-recovery activities. Given the above, the Administration believes that this recommendation should be closed.	The Board noticed a delay in the realization of cost-recovery charges during 2019 and therefore considers the recommendation to be under implementation.		X		
161	2018	A/74/5 (Vol. I), chap. II, para. 79	The Board recommended that the Administration improve the maintenance of the audit trail to enable a better review of the cash position at the fund level.	Inter-fund transfers are authorized by the Administration in order to ensure liquidity and that balances are monitored on a daily basis. All loans are recorded in Umoja and can be tracked down.	The Board noticed that it was possible to balance fund values through inter-fund transfers even after the close of the financial year. Therefore, it was difficult to analyse and determine the exact instances of negative balances and level of			X	

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					cash balances at the fund level at any given date. In addition, no documentation for improvements in maintenance of audit trail was provided. The Board considers this recommendation to be not implemented.				
162	2018	A/74/5 (Vol. I), chap. II, para. 88	The Board recommended that the Administration revise the basis for apportionment of the after-service health insurance liability between the financial statements of the operations of the United Nations as reported in volume I and in volume II (peacekeeping) to reflect the current ratio of employees and thus the appropriate share of employee benefit liabilities on account of after-service health insurance.	Discussions were initiated in 2019 to review any gaps in human resources data and data-collection options/limitations for actuarial valuation purposes, with a view to identifying and addressing those that may have a significant impact on the resulting estimates. This includes, but is not limited to, better-quality information on staff's entry-on-duty dates and the apportionment of liabilities between regular budget, extrabudgetary and peacekeeping funds for retirees. This project is expected to last 18 months, with the aim of having enhanced data in place for a full actuarial valuation as of 31 December 2021 (2020 is a roll-forward year for actuarial purposes).	The Board notes the response of Administration. It also notes the response that this project is expected last 18 months, with the aim of having enhanced data in place for a full actuarial valuation as of 31 December 2021. Hence, the Board considers the recommendation to be under implementation.		X		
163	2018	A/74/5 (Vol. I), chap. II, para. 95	The Board recommended that the Administration value and disclose the employee benefit liability separately for the regular budget and extrabudgetary sources in the financial statements for the operations of the United Nations as reported in volume I.	This recommendation will be implemented in the financial statements ended 31 December 2019.	The Board notes that the financial statements of volume I for the year ended 31 December 2019 disclosed the employee benefit liability separately for regular budget and extrabudgetary resources. Hence, the Board considers this recommendation to have been implemented.	X			

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164	2018	A/74/5 (Vol. I), chap. II, para. 101	The Board recommended that the Administration identify the key data elements that validate the eligibility of participants and incorporate the necessary validation controls to ensure mandatory capturing of these key data elements in the system.	Ongoing. As previously indicated, there are already a few data validation elements incorporated. In addition, the migration of the medical insurance plan retiree records into Umoja, which is in progress, will resolve the issue of data availability and quality because a high percentage of the census data will be extracted from a single source (Umoja).	The Board notes that migration of the medical insurance plan retiree records into Umoja is in progress. The Board considers this recommendation to be under implementation.		X		
165	2018	A/74/5 (Vol. I), chap. II, para. 103	The Board recommended that information about surviving dependants who are children be reflected separately in the data about retirees to ensure that age-gap calculations are correct. The Board also recommends that the Administration identify and update the correct status of 643 cases where participants have not been identified either as surviving dependants or retirees.	As mentioned in the comments to the recommendation contained in paragraph 88 of A/74/5 (Vol. I), this recommendation will also be reviewed in the light of a more comprehensive improvement effort targeting the type and completeness of human resources data available for the actuarial valuation exercise, and the same timeline applies.	Given that the same timeline applies, the Board would request the status of the 643 cases and supporting documentation to indicate that the status has been identified and updated. Hence, the Board considers this recommendation to be under implementation.		X		
166	2018	A/74/5 (Vol. I), chap. II, para. 105	The Board recommended that the Administration ensure the periodicity for revising medical claims costs is consistent at least with the timing of the full actuarial valuation.	This recommendation has been implemented, and the Administration kindly reiterates that the United Nations contacted the actuaries who confirmed that, aside from the assumption letter and the final actuarial valuation report, there were no other documents that could be shared regarding the change of per capita claims cost assumptions.	In view of the action taken, the Board considers the recommendation to have been implemented.	X			
167	2018	A/74/5 (Vol. I), chap. II, para. 119	The Board recommended that the Administration at the United Nations Office at Geneva develop guidelines or a standard operating procedure to direct what decisions and documents should be recorded in official status files until a Secretariat-wide solution is introduced.	The Human Resources Management Service at the United Nations Office at Geneva officially issued guidelines on the management of official status files in March 2020. The guidelines stipulate the inclusion of documents in the official status files. Electronic documents in Umoja and Inspira can be cross-referenced by authorized staff members	The Board acknowledges that the United Nations Office at Geneva introduced a guideline on managing official status files. The recommendation has been implemented from the Office's side. However, and mainly beyond the	X			

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				and do not need to be printed and added to the official status files.	Office's control, a common approach within the United Nations is yet to be established.				
168	2018	A/74/5 (Vol. I), chap. II, para. 124	The Board recommended that the Administration review the employee status classification to ensure that data in Umoja is consistent with the actual status, undertake a comprehensive review of retiree data to ensure their quality and accuracy in the granting of post-retirement benefits and classify retirees as a category that can be uniquely identified.	This recommendation has been implemented. The Administration therefore kindly requests that the recommendation be closed.	The Board awaits supporting documentation towards the implementation of this recommendation, in addition to details of the review (and results thereof) of the employee status classification conducted, as well as the review of retiree data. The Board considers this recommendation to be under implementation.		X		
169	2018	A/74/5 (Vol. I), chap. II, para. 125	The Board also recommended that the Administration review the personal benefits and contribution data of employees, retirees and dependants for completeness, consistency and validation in Umoja and reconcile them with other sources such as payroll payments and eligibility lists sent to the third-party administrators.	The Administration is considering ways to implement this recommendation.	The Board considers this recommendation to be under implementation.		X		
170	2018	A/74/5 (Vol. I), chap. II, para. 131	The Board recommended that the Administration take urgent measures to devise an appropriate review mechanism and protocol, develop a capacity for periodic internal reviews on claims data so as to obtain assurance on claims and costs reported by the third-party administrators and put in place a	Ongoing. At this stage, the statement of work for the audit of claims has been finalized and the request for proposals for the claims audit is expected to be issued by the end of 2020.	The Board noted the response of Administration that the statement of work for the audit of claims had been finalized and the request for proposals for the claims audit was expected to be issued by the end of 2020. Hence, the Board considers this		X		

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			formal feedback mechanism with the third-party administrators.		recommendation to be under implementation.				
171	2018	A/74/5 (Vol. I), chap. II, para. 132	The Board further recommended that the Administration review the third-party administrator reporting templates for gaps in data quality and standardization and streamline the data elements in the paid claims files to enable authentication of subscribers and expenditure, help to identify red flags and carry out correct and comprehensive classification of claims.	Ongoing. The Health and Life Insurance Section is working with the Procurement Division to issue a request for proposals for the provision of health insurance services that will include the reporting templates to ensure the streamlining of the data elements in the paid claims files and to enable authentication of subscribers and expenditure.	The Board noted the response of Administration that the Health and Life Insurance Section is working with the Procurement Division to issue a request for proposals for the provision of health insurance services. Given that the response indicates a work in progress, the Board considers this recommendation to be under implementation.		X		
172	2018	A/74/5 (Vol. I), chap. II, para. 136	The Board reiterated its recommendation for the development of a suitable mechanism for better coordination aimed at complete and comprehensive reporting of cases of fraud and presumptive fraud.	The fraud report for the 2019 volume I financial statements will reflect the implementation of the recommendation.	The Board noticed issues relating to the prompt reporting of fraud/ presumptive fraud cases to the Board and therefore considers the recommendation to be under implementation.		X		
173	2018	A/74/5 (Vol. I), chap. II, para. 137	The Board also recommended that the Administration review the processes involved in reporting fraud to the office of the Controller by constituent offices of the Secretariat and establish timelines and process flows for information-sharing between the Secretariat, third parties, offices away from Headquarters, field offices, missions and OIOS to ensure complete and comprehensive	The fraud report for the 2019 volume I financial statements will reflect the implementation of the recommendation.	The Board noticed issues relating to the prompt reporting of fraud/ presumptive fraud cases to the Board and therefore considers the recommendation to be under implementation.		X		

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			reporting of fraud and presumptive fraud cases.						
174	2018	A/74/5 (Vol. I), chap. II, para. 142	The Board recommended that the Administration take steps to make it mandatory that all cases of fraud and suspected fraud be reported, as they come to notice, by all third-party administrators.	This recommendation has been implemented. In the absence of written contracts with third-party administrators, the Administrations has met all third-party administrators and all of them agreed to make it mandatory that all cases of fraud and suspected fraud be reported to the Health and Life Insurance Section, as they emerge.	The Board took note of the response of the Administration and will verify the status during its next audit. The Board considers the recommendation to be under implementation.		X		
175	2018	A/74/5 (Vol. I), chap. II, para. 149	The Board recommended that the Administration put in place a formal mechanism for monitoring recovery of unduly paid amounts and actively pursue the recoveries. The Board also recommended that focal point be designated centrally with the responsibility to carry out the monitoring and follow-up.	Ongoing. All cases of fraud and presumptive fraud reported to the Health and Life Insurance Section are sent to the Office of Internal Oversight Services and the Conduct and Discipline Service of the Administrative Law Division. This recommendation should be transferred to the Service.	The Board notes the status provided by the Administration and considers this recommendation to be under implementation.		X		
176	2018	A/74/5 (Vol. I), chap. II, para. 150	The Board recommended that the Administration issue clear guidelines on the processes to be followed in cases of established fraud and the time frames within which action should be completed.	No update was received from the Administration.	Given that no update on action taken was received from the Administration, the Board considers this recommendation to be under Implementation.		X		
177	2018	A/74/5 (Vol. I), chap. II, para. 151	The Board recommended that the Administration establish a mechanism for regular and periodic feedback between the Office of Internal Oversight Services and the Health and Life Insurance Section.	There is an established practice between the Office of Internal Oversight Services and the Health and Life Insurance Section of the Office of Programme Planning, Finance and Budget, in which the Section forwards all cases of fraud and presumptive fraud to the Office of Internal Oversight Services. This recommendation has been implemented because the Administration established a mechanism for regular feedback between the Health and Life	The Board took note of the response of the Administration and will verify the status during its next audit. The Board considers the recommendation to be under implementation.		X		

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				Insurance Section and the Office of Internal Oversight Services. All cases of fraud and presumptive fraud reported by third-party administrators to the Section are sent to the Office, and regular meetings are being held between the offices, including the Conduct and Discipline Service.					
178	2018	A/74/5 (Vol. I), chap. II, para. 159	The Board recommended that: (a) the processes to be followed for the cash management function with the initiation of Umoja be documented and formally approved as a priority; (b) the Administration take steps to finalize, formalize and document the structure, roles and duties of the Treasury staff; and (c) the roles and responsibilities of cashiers not located at headquarters for cash management functions and their functional relationship with the Treasury at headquarters be formalized.	This recommendation has been implemented. The Administration therefore kindly requests that the recommendation be closed.	The Board requests supporting documents to verify the implementation of the recommendation. It considers the recommendation to be under implementation.		X		
179	2018	A/74/5 (Vol. I), chap. II, para. 164	The Board recommended that: (a) the Administration introduce a system to utilize the information available in Umoja for estimating cash outflows over a longer period, enabling more refined forecasts of liquidity outflow, which also has the potential to help in better management of investments; and (b) payroll disbursement be aligned with the mechanism used by the Treasury for processing other payments for better cash management for the Organization.	The Administration's comments were reflected in paragraph 165 of A/74/5 (Vol. I) and paragraph 61 of the 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 2018 on the United Nations (A/74/323).	Taking into consideration the response, the Board considers this recommendation to be under implementation.		X		

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
180	2018	A/74/5 (Vol. I), chap. II, para. 174	The Board recommended that the Administration: (a) expedite clearance of pending items classified as exceptions and as under investigation and incorporate such clearances in the overall monitoring mechanism of the Treasury going forward; and (b) review reasons for the very high number of exceptions and take the necessary mitigation measures to reduce the proportion of exceptions generated.	The implementation of this recommendation is in progress.	The Board notes the status provided by the Administration and considers this recommendation to be under implementation.		X		
181	2018	A/74/5 (Vol. I), chap. II, para. 180	The Board recommended that the Administration: (a) improve the process for review and management of bank balances to avoid overdrafts and the consequent risk of potential delays in payments and levy of overdraft fees; and (b) review buffer limits of liquidity in house banks and set formal limits for individual house banks.	The Administration's comments were reflected in paragraph 181 of A/74/5 (Vol. I) and paragraph 61 of the 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 2018 on the United Nations (A/74/323).	No update on the implementation of this recommendation was provided by the Administration. The Board considers this recommendation to be under implementation.		X		
182	2018	A/74/5 (Vol. I), chap. II, para. 189	The Board recommended that the Administration document the processes underlying investment decisions covering reasons for choosing a particular investment instrument, trading partner and period of maturity.	The Treasury communicated to the Board that the recommendation was not accepted. The processes maintain several layers of approval and monitoring: (a) Financial Regulations and Rules require the signature of two authorized individuals for each investment transaction; (b) The Bloomberg Asset and Investment Manager system has the compliance rules built-in so that trades that are not in compliance are not permitted;	Given that no action has been taken by the Administration regarding this recommendation, the Board considers it to be not implemented.			X	

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				(c) The Compliance Officer signs off on each trade post facto to show compliance with the investment guidelines.					
183	2018	A/74/5 (Vol. I), chap. II, para. 193	The Board recommended that the Administration improve the system of forecasting of cash flows and assess liquidity requirements to support effective cash management and optimal investment decisions.	The implementation of this recommendation is in progress.	The Board notes the status provided by the Administration and considers this recommendation to be under implementation.		X		
184	2018	A/74/5 (Vol. I), chap. II, para. 198	The Board recommended that the Administration monitor bank rates closely so as to ensure that overnight balances are placed in the bank offering the higher rates within levels of acceptable counterparty risks.	This recommendation has been implemented, and it is requested that the Board close this recommendation. Supporting documents were provided to the Board on 14 July 2020.	The Board will verify the status during its next audit. The Board considers the recommendation to be under implementation.		X		
185	2018	A/74/5 (Vol. I), chap. II, para. 204	The Board recommended that compliance procedures and rules related to the Asset and Investment Manager system should be constantly monitored and any change in the parameters of pre-trade compliance rules should be updated in the system within a reasonable period of time.	This recommendation has been implemented, and it is requested that the Board close this recommendation. Supporting documents were provided to the Board on 14 July 2020.	The Board will verify the status during its next audit. The Board considers the recommendation to be under implementation.		X		
186	2018	A/74/5 (Vol. I), chap. II, para. 208	The Board recommended that the Administration maintain information on the actual usage of the hedged currencies in the regular budget. The Board also recommended that projected requirements for different currencies and historical data of actual usage of those currencies be made part of the analysis for the preparation of the currency hedging programme.	The projected requirements for different currencies and historical data and patterns of actual usage of those currencies were used as a basis for the preparation of the currency hedging programme for the 2020 regular budget period. The information on the actual usage of hedged currencies in the regular budget is maintained in and available from Umoja. This recommendation is considered to have been implemented, and it is requested that the Board close it.	The Board noted the response of the Administration and considers this recommendation to have been implemented.	X			

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187	2018	A/74/5 (Vol. I), chap. II, para. 212	The Board recommended that the Administration carry out a review of its hedging programme, increase the number of counterparties having International Swaps and Derivatives Association agreements and revisit the policy of equal splitting of agreements among the counterparties so as to derive advantage from the most competitive market rates while limiting the credit exposure in accordance with the defined guidelines.	A review of the hedging programme was undertaken, and the foreign currency hedging guidelines were updated to ensure that each forward transaction was executed at the most competitive rate. That approach was implemented as part of the execution of the hedging programme for the 2020 regular budget period. The increase in the number of counterparties with which the United Nations has an International Swaps and Derivatives Association agreement will be analysed during 2020.	The Board notes the status provided by the Administration and considers this recommendation to be under implementation.		X		
188	2018	A/74/5 (Vol. I), chap. II, para. 222	The Board recommended that the Administration consider the feasibility of formally laying down a minimum set of requirements for the selection of a bank, along with adopting a standard operating procedure for opening and closing of bank accounts.	The Administration continues to disagree with the Board and does not accept this recommendation.	Given that no action has been taken by the Administration on this recommendation, the Board considers it to be not implemented.			X	
189	2018	A/74/5 (Vol. I), chap. II, para. 242	The Board, considering the large number of indicators that are in tiers II and III, including indicators for targets to be achieved by 2020, recommended that the Department of Economic and Social Affairs intensify its efforts towards the development of indicators and to ensuring the availability of data against them, in collaboration with custodian agencies.	As indicated in comments provided by the Department of Economic and Social Affairs regarding the recommendation contained in paragraph 115 of A/72/5 (Vol. I), significant progress has been made in the methodological development of many tier III indicators. As a result, the Inter-Agency and Expert Group on Sustainable Development Goal Indicators considered many requests for reclassification of tier III indicators throughout 2019. In addition, the Inter-Agency and Expert Group undertook a comprehensive review of the indicator framework according to the mandate from the General Assembly for the Administration. The revised global	The Board takes note of the progress made in developing the indicators. The Administration has not provided information on the progress made in the identification of proxies for some indicators on which Inter-Agency and Expert Group on Sustainable Development Goal Indicators was working. The Board has already noted that the Administration had very limited influence on the		X		

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				Sustainable Development Goal indicator framework was approved by the Statistical Commission at its fifty-first session, in March 2020. Following the tier reclassification reviews in 2019 and the replacements, revisions and deletions included in the revised indicator framework, no tier III indicators remain. The revised global indicator framework has 36 major changes from the previous one and has 231 unique indicators. The Inter-Agency and Expert Group is assessing the tier classification of the new indicators and will classify them as either tier I or tier II. The information will be available soon at https://unstats.un.org/sdgs/iaeg-sdgs/tier-classification/. The Department of Economic and Social Affairs requests this recommendation to be closed and marked as implemented.	issue of progress on activities falling under the mandate of custodian agencies, but the Administration has not reported anything about its continued advocacy efforts made after the audit report. The recommendation is considered to be under implementation.				
190	2018	A/74/5 (Vol. I), chap. II, para. 247	The Board recommended that the Administration augment the capacity-building efforts for Member States, with a special emphasis on the least developed countries, small island developing States and landlocked developing countries.	Capacity-building efforts undertaken by the Department of Economic and Social Affairs for the least developed countries, small island developing States and landlocked developing countries are ongoing and support the production and use of data for the Sustainable Development Goals to the extent that existing resources allow it. Those countries, however, still require assistance to further strengthen their national statistical systems to be able to respond to the unprecedented data demand of the 2030 Agenda for Sustainable Development and the Goals. This would require further mobilization of resources at the global level to support capacity-building activities by the Department and other international agencies in these countries and directly	The Board takes note of the challenges in terms of resources faced by the Administration and the resources that were made available for capacity-building for statistics under section 23 during 2019. The Administration, however, is silent about what the trends have been in this regard, what efforts were taken and what is being done to implement General Assembly resolution 70/1 regarding developing countries, in particular African countries, the least		X		

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				fund the undertaking of data-collection programmes by countries and the development of statistical and information technology infrastructures. International funding for data and statistics is only approximately half the level that it needs to be to allow for the implementation of the Cape Town Global Action Plan for Sustainable Development Data. Annual resources available for capacity-building for statistics under section 23 (Regular programme of technical cooperation) is approximately $4.55 million (i.e., $1.466 million for the Department of Economic and Social Affairs and $3.080 million for the regional commissions). These resources are intended for use for developing countries, including the least developed countries, small island developing States and landlocked developing countries. On the basis of the efforts made by the Department, with limited resources available to it, the Administration requests the Board to close this recommendation and to consider it implemented.	developed countries, small island developing States and landlocked developing countries, in strengthening the capacity of national statistical offices and data systems to ensure access to high-quality, timely, reliable and disaggregated data. The recommendation is considered to be under implementation.				
191	2018	A/74/5 (Vol. I), chap. II, para. 254	The Board recommended that the Administration establish appropriate processes to ensure consistency in reporting and inform the stakeholders through disclosures about changes and inconsistencies in critical data when they are published, with the help of the custodian agencies.	The Department of Economic and Social Affairs assisted the Inter-Agency and Expert Group on Sustainable Development Goal Indicators in developing the guidelines on data flows and global data reporting for the Sustainable Development Goals (https://unstats.un.org/unsd/statcom/49th-session/documents/BG-Item-3a-IAEG-SDGs-DataFlowsGuidelines-E.pdf) in order to improve the coordination and harmonization of national and international data systems and to ensure	The Board takes note of the processes already established by the Administration for ensuring consistency in reporting through disclosures and continuous updating of the Global SDG Indicators Database online. The Board also notes the history of updates that are available	X			

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				the full transparency of data, metadata and data aggregates presented in the Global SDG Indicators Database. In collaboration with international agencies, the Inter-Agency and Expert Group also developed criteria for the implementation of the guidelines on data flows and global data reporting for the Sustainable Development Goals (https://unstats.un.org/unsd/statcom/50th-session/documents/2019-2-IAEG-SDG-E.pdf), which was endorsed by the Statistical commission in March 2019 (https://unstats.un.org/unsd/statcom/50th-session/documents/Report-on-the-50th-session-of-the-statistical-commission-E.pdf). The Department works with custodian agencies to implement the guidelines and best practices. Furthermore, the Department published updates to the Global SDG Indicators Database online (https://unstats.un.org/sdgs/indicators/database/). The Administration considers this recommendation to have been implemented and requests its closure by the Board.	on the database website, which was updated 14 times from May 2019 to May 2020. This recommendation is considered to have been implemented.				
192	2018	A/74/5 (Vol. I), chap. II, para. 270	The Board recommended that the Administration consider reflecting all capacity-building requests in the central repository, including those recorded in the voluntary national reviews, and carry out regular updating of the repository to appropriately reflect the status of the requests.	The Department of Economic and Social Affairs central repository was developed in 2018 for internal use in order to capture the requests received by the Department from countries and to better plan and coordinate the capacity development assistance that it provided. It was not intended to coordinate capacity development requests and responses from the entire United Nations development system. For any request for capacity development assistance that is brought to the attention of the Department,	The Board takes note of the contention of the Administration. However, the response of the Administration is without consideration to the fact that the Department of Economic and Social Affairs is also performing a role as the secretariat of the high-level political forum in which follow-up and review of the implementation of the		X		

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				including those recorded in the voluntary national reviews, the Department brings the relevant reports or requests to the attention of the resident coordinator. Requests that fall within the Department's programme of work and expertise will also be reflected in its internal repository. In accordance with General Assembly resolution 72/279, the United Nations Sustainable Development Cooperation Framework, which is prepared by the United Nations country team under the leadership of the resident coordinator, is the most important instrument for the planning and implementation of United Nations development activities at country level. The Department therefore does not agree with the aspect of the Board's recommendation to expand the scope of its internal repository to capture all requests for capacity development, even if they fall outside the scope of its programme of work. With regard to the United Nations Development Account, the 10 implementing entities are considering the capacity development needs expressed in the voluntary national reviews when designing their Development Account projects. Furthermore, the synthesis report produced by the Department already documents the capacity development needs expressed by Member States in their voluntary national reviews, and this document can be used by the United Nations system and other stakeholders, such as the donor community. There is marginal utility for including them again in an internal departmental repository.	Sustainable Development Goals around the world is conducted. Moreover, the Department is also the programme manager of the United Nations Development Account. Considering this additional dual role of the Department, the Board is of the view that the Department should coordinate the capacity-building activity through an initiative such as having a central repository of capacity-building requests to which voluntary national reviews would also provide input. This would integrate the entire effort by bringing together multiple sources of information on the basis of which capacity-building has to be taken up and coordinated. The Board is not against the Department having a central repository for its internal purposes, but it emphasizes the need to implement the recommendation. This recommendation is considered to be under implementation.				

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				The Administration requests the Board to close this recommendation.					
193	2018	A/74/5 (Vol. I), chap. II, para. 283	The Board recommended that the Administration set up structured protocols in the context of reforms for collaboration among the Department of Economic and Social Affairs, the regional commissions, the United Nations country teams and concerned Member States for financing support so as to obtain feedback on the financing policies.	The Department of Economic and Social Affairs maintains an open communication channels with the regional commissions and ensures that their work informs the policy, analytical and capacity development work of the Department through established mechanisms, including the Executive Committee on Economic and Social Affairs Plus, the International Conference on Financing for Development, the Inter-Agency Task Force on Financing for Development, the Development Cooperation Forum and the United Nations network of experts on international tax cooperation. It reports annually on the progress made in the implementation of the Addis Agenda Action Agenda on Financing for Development and the 2030 Agenda in which the five regional commissions also contribute. The Department participates in events organized by the regional commissions on financing and facilitates their participation in the Economic and Social Council forum on financing for development follow-up. These different mechanisms have a distinctive yet complementary nature that inform one another in support of the implementation of the 2030 Agenda and the Addis Ababa Action Agenda. These workstreams are coordinated, allowing different stakeholders, including the regional commissions, to contribute in an efficient manner. The proposal for protocols is meant to streamline processes and terms of engagement and not to merge the existing platforms. The	The Board takes note of the response of the Administration and the explanation in relation to the distinctive yet complementary nature of different mechanisms that inform one another in support of the implementation of the 2030 Agenda and the Addis Ababa Action Agenda. In addition, these workstreams are coordinated, allowing different stakeholders, including the regional commissions, to contribute in an efficient manner. The Board reiterates that it had pointed out that the Department of Economic and Social Affairs had no mechanism to assess whether the policy advice incorporated into the financing for sustainable development report provided the required support at the country level. The Department was relying on number of hits to the website instead of any direct feedback and distribution of the report to regional commissions and the country teams. The		X		

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				platforms are designed to enable specific experts to engage on specific issues. There is no duplication of platforms. The existing protocol for all the platforms is to exchange knowledge, undertake joint analytical and capacity development work, respond to requests by Member States and, above all, avoid duplication. The Administration considers this recommendation to have been implemented and requests its closure by the Board.	Department did not receive any requests from United Nations country teams seeking policy advice on South-South cooperation. Moreover, Member States reported voluntarily for the Sustainable Development Goal investment fair, but there was no formal reporting mechanism in that regard. The Board's emphasis in this recommendation was on the need for a more structured and regular coordination mechanism for ensuring that feedback was appropriately built into the policy prescriptions of the Department regarding financing. This specific issue has not yet been addressed. The recommendation is therefore considered to be under implementation.				
194	2018	A/74/5 (Vol. I), chap. II, para. 293	The Board recommended that the Administration ensure timely completion of the project activities to support Member States in their capacity-building needs in a timely manner, which would complement the implementation of the 2030 Agenda for Sustainable Development.	The Department of Economic and Social Affairs considers this recommendation to have been implemented. For the tenth tranche (2016–2019), only 5 of 43 (12 per cent) projects were extended to 2020 owing to delays in implementation, often due to unforeseen challenges and implementation issues in the target countries. One project was delayed and extended by three months owing to the cash flow crisis at the United Nations. On average, these projects were	The Board takes note of the progress made in completion of the tenth tranche of the United Nations Development Account projects, which was the main focus of the recommendation. Given that the Department has reported that only five projects were extended to 2020, the majority of	X			

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				extended by four months, representing 8 per cent of the total implementation time of 48 months, not including the 18 months that are needed for project design and General Assembly review and approval. For the tenth tranche, 20 successful projects were selected to complete additional activities beyond what had been presented to the General Assembly on the basis of demand from the countries. Those projects received a limited extension of up to 12 months, with additional funds averaging 15 per cent of the project envelope. Those short extensions and additional funds allowed additional results and further sustainability to be achieved. The Assembly was informed of that through the eleventh progress report of the Secretary-General on the implementation of projects financed from the Development Account (A/74/85). The Department therefore considers the most recent tranche to have been completed in a timely manner and requests the closure of this recommendation by the Board.	projects are reported to have been completed. The recommendation is therefore considered to have been implemented.				
195	2018	A/74/5 (Vol. I), chap. II, para. 303	The Board recommended that the Administration upgrade the information technology resources of the Non-Governmental Organizations Branch to ensure efficient and timely processing of new applications for consultative status from NGOs, as well as processing of the increasing number of quadrennial reports. The Department of Economic and Social Affairs may also monitor the initiatives by NGOs	The recommendation comprises two parts: (a) Upgrading of the information technology resources used for the processing of applications from non-governmental organizations for Economic and Social Council consultative status and quadrennial reports from accredited NGOs; (b) Monitoring the initiatives by NGOs that are related to the Sustainable Development Goals.	The Board takes note that a vendor was contracted in late 2019 to upgrade the system. With respect to the second portion of the recommendation, the focus of the Board's recommendation was based on the existing mandate of the Department of Economic and Social Affairs regarding the non-		X		

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			that are related to the Sustainable Development Goals.	The Department of Economic and Social Affairs accepts the first part of the recommendation regarding the information technology system used to process applications and quadrennial reports that are mandated work contained in Economic and Social Council resolution 1996/31. The information technology system is reaching the end of its useful life and is affecting the effectiveness and efficiency of the Department's work, as acknowledged by the Board in its report. A vendor was contracted in late 2019 to upgrade the system. The Department, however, does not accept the second part of the recommendation. First, Economic and Social Council resolutions 1996/31 and 2008/4, which provide the legislative framework for the Department's work, do not provide the Department such authority to monitor the work of NGOs. The possibility of such monitoring has been discussed at the Committee on NGOs, with no consensus emerging from these deliberations. There is therefore no agreement at the intergovernmental level on this proposal. The Board also did not address in its recommendation the ultimate purpose of such monitoring. The Administration requests the Board to close this recommendation.	governmental organizations. In line with paragraph 69 of Council resolution 1996/31, the Secretary-General is supposed to provide secretarial assistance to the Committee on NGOs. The Committee is mandated, pursuant to paragraph 61 (a) of resolution 1996/31, to regularly monitor the relationship between the United Nations and NGOs. The quadrennial reports mandated to be submitted by NGOs (ibid.) is considered by the Board to be a form of monitoring. The NGOs are provided consultative status on the basis of selected principles, which include the expectation that they undertake to support the work of the United Nations. This work now extends to the achievement of the Sustainable Development Goals, on which emphasis has been placed regarding the role of NGOs (see General Assembly resolution 70/1). In the above context and considering the responsibility of the Department to provide secretarial assistance to				

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					the Committee, this part of the recommendation was included. The Administration has implemented the first portion of the recommendation. The Administration may review its role regarding the remaining portion of the recommendation in the context provided above and respond to the Board. The recommendation is therefore considered to be under implementation.				
196	2018	A/74/5 (Vol. I), chap. II, para. 316	The Board recommended that the Administration revise the indicators of achievements for the new proposed programme budget documents to ensure that the indictors clearly relate to the expected accomplishments and objectives of the procurement function.	The Administration wishes to highlight that, following the management reforms, the Office of Supply Chain Management recently (January 2020) received a revised template for the submission of programme planning. On the basis of the new template, the Office is preparing the programme planning submission for 2021.	Given that the template for submission of programme planning was changed, the Board considers the recommendation to have been overtaken by events.				X
197	2018	A/74/5 (Vol. I), chap. II, para. 317	The Board recommended that the Administration implement a comprehensive system to coherently measure the efficiency, effectiveness and cost-effectiveness of the procurement function in line with related requests from the General Assembly and previous oversight recommendations and regularly inform the General Assembly about related progress.	The Administration is working on the implementation of key performance indicators for procurement in the context of a broader supply chain performance management framework. The Office of Supply Chain Management is also in the process of implementing e-tendering, which will enhance business intelligence capabilities and performance management.	The recommendation remains under implementation.		X		

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						Implemented	Under implementation	Not implemented	Overtaken by events
198	2018	A/74/5 (Vol. I), chap. II, para. 323	The Board recommended that the Procurement Division provide guidance to procurement officers to ensure consistent and proper interpretation of the subcategories of financial rule 105.16 (a) and related documentation requirements.	The updated Procurement Manual provides comprehensive guidance to procurement officers on the interpretation and application of financial rule 105.16 (a) and its subcategories, in section 6.11 (exceptions to formal methods of solicitation), and in section 6.8, specifically on direct contracting under sole source.	The recommendation is considered to have been implemented.	X			
199	2018	A/74/5 (Vol. I), chap. II, para. 329	The Board recommended that the procurement policy framework clarify that procurement officers must substantiate their estimation of the target value before initiating the request for quotation and how to proceed with the procurement process if values exceed the threshold.	The Administration concurs with the Board's observation and wishes to provide assurances that it will continue its best efforts to establish accurate estimates and, consequently, select the appropriate solicitation method. The updated Procurement Manual provides more clarity with regard to the thresholds and selection of appropriate solicitation method in section 6.3 (solicitation methods) and places greater weight on market research in sections 4.4 (requirements definition) and 5.2 (market research). The Administration will consider, on a case-by-case basis, rebidding, where warranted.	The Board notes that the Procurement Manual is silent on estimating the target value. The Manual does not present advice to procurement officers if values exceed the threshold of the solicitation method. The recommendation remains under implementation.		X		
200	2018	A/74/5 (Vol. I), chap. II, para. 331	The Board recommended that the procurement policy framework clarify that procurement staff need to obtain at least three quotations to ensure economy, efficiency and fair market prices. In exceptional cases where only one quotation is received, the reasons need to be recorded.	With respect to requests for quotations, a minimum of five invitees is required. However, the procurement official shall ensure a sufficient number of invitees to generate more than five quotations but no less than three. (see chap. 6.3.3 of the Procurement Manual.)	In June 2020, the Administration updated the Procurement Manual accordingly. The recommendation is considered to have been implemented.	X			
201	2018	A/74/5 (Vol. I), chap. II, para. 337	The Board recommended that the Administration ensure that procurement staff complete all Umoja necessary fields required for reporting and monitoring and	The Administration did not provide any comments.	The recommendation is considered to be not implemented.			X	

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			implement the filing guidance in place.						
202	2018	A/74/5 (Vol. I), chap. II, para. 342	The Board recommended that the Procurement Division, together with the relevant stakeholders, carry out a comprehensive comparative analysis of electronic tendering systems, the associated costs (initial costs, costs related to necessary changes and running costs) and integration opportunities with Umoja as part of the basis for the decision on which system to select.	The decision related to using the bespoke SAP product was a function of the standardization on SAP enterprise resource planning software, and this is the only SAP electronic tendering tool available. Research into other products was a due diligence exercise, and one that helped to provide clarity. The outcome of such (technical) research was reflected in the document on electronic tendering of the Office of Supply Chain Management. The commercial side of the choice is justified by the 90.3 per cent discount obtained by the Procurement Division on the negotiations of the product.	The Administration provided only a presentation that did not include either a detailed description of the requirements or an analysis of electronic tendering systems. The recommendation remains under implementation.		X		
203	2018	A/74/5 (Vol. I), chap. II, para. 351	The Board recommended that the Administration further refine the non-compliance categories and differentiate tolerance levels for non-compliance based on the nature of the travel and the traveller. The Administration should also guide the traveller to respond to travel management company requests promptly to ensure better compliance with the advance ticketing policy.	The Administration's proposal, based on this recommendation, will be presented to the General Assembly in the next report of the Secretary-General on standards of accommodation for air travel, which is expected to be considered during the first part of the resumed seventy-fifth session, in April 2021. If approved, the proposal would tentatively become effective in May 2021.	The Board takes note of the progress made in the implementation of part of the recommendation. The recommendation is considered to be under implementation.		X		
204	2018	A/74/5 (Vol. I), chap. II, para. 359	The Board recommended that the Administration review the preventive maintenance schedule based on the prescribed periodicity by the original equipment manufacturer and professional advice. The Plant Engineering Section should ensure that the planned plant maintenance works are	The Administration wishes to clarify that, in addition to reviewing the plant preventive maintenance schedule and related processes, the comprehensive assessment of the Headquarters total operations and maintenance strategy covered many other aspects of plant engineering operations, inclusive of staffing, organization of work, contract restructuring and others. The recommendations of the external experts	The Board takes note of the comprehensive assessment of the Headquarters total operations and maintenance strategy completed in December 2019 by external experts. The Plant Engineering Section planned plant maintenance work with	X			

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			completed, reviewed for standards and recorded in Umoja.	shared with the Board, as evidence of the review conducted, therefore have a wider scope than the Board's recommendation. Their implementation, contingent in part on the lifting of staffing and financial restrictions, is not considered a measure of completion of the Board's recommendation. The Administration further notes that planned plant maintenance work with regard to preventive maintenance of the capital master plan and other installations is an ongoing activity. With regard to the Board's recommendation, the Administration reiterates that it has reviewed the preventive maintenance schedule on the basis of original equipment manufacturer maintenance guidelines, its own technical expertise and professional advice. All capital master plan-installed equipment with their appropriate maintenance schedule have been entered into the Umoja preventive maintenance application, where completed maintenance work is tracked. Given that the requirements of the original recommendation have been met, the Administration considers the recommendation to have been implemented and reiterates its request that it be closed.	regard to preventive maintenance of the capital master plan and other installations is an ongoing activity. The Board considers the requirements of the recommendation to have been fulfilled, and the recommendations is considered to have been implemented.				
205	2018	A/74/5 (Vol. I), chap. II, para. 364	The Board recommended that the Plant Engineering Section define the mandatory services levels and move towards measuring full compliance for reasonable service requests with increased levels of feedback through surveys or otherwise to assess client satisfaction.	The Administration wishes to clarify that the comprehensive review of all Plant Engineering Section services included identifying the critical services for which mandatory targets were required. The aspirational targets have been removed to better measure compliance with mandatory service requirements. The revised service-level targets were	The emphasis of the Board was on the need to differentiate mandatory targets from the aspirational targets so as to better measure compliance with mandatory service requirements. The	X			

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				established, taking into account the administrative process required, in the i-Need enterprise application, to initiate and close service requests after the service had been performed. The Administration considers this recommendation to have been implemented and requests that it be closed.	Administration has segregated the mandatory targets and the aspirational ones. The recommendation is therefore considered to have been implemented.				
206	2018	A/74/5 (Vol. I), chap. II, para. 372	The Board recommended that the archives and Records Management Section interact with the focal points of the departments, offices and missions to ensure preparation of retention schedules followed by review by the Section.	The recommendation is in the process of implementation. The Archives and Records Management Section has developed a plan of work to review all retention policies and identify gaps, while taking into account the new distribution and reorganization of functions resulting from the management reforms (peace and security, management and human development). Given the complexity of this work, the Section requires more time to complete this work. The revised target for completion is the fourth quarter of 2020.	The Board notes the response of the Administration and considers the recommendation to be under implementation.		X		
207	2018	A/74/5 (Vol. I), chap. II, para. 390	The Board recommended that the Administration assess the requirement, make efforts to obtain necessary funds and set and adhere to a firm time frame for digitization of old and important United Nations documents at the earliest.	The Department of Global Communications has finalized a project proposal on the digitization of 1 million United Nations parliamentary documents and publications that were in dire condition. The project proposal on mass digitization is to be submitted to the Committee on Information for further action. The proposal contains a full timeline and set of tasks that need to be addressed in order to fully respond to the recommendation. The total cost to achieve the digitization of the 1 million documents and publications is approximately $10 million. The Department is working to raise funds in order to realize the project. Implementation of the recommendation	The Board notes the response of the Administration and considers the recommendation to be under implementation.		X		

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				is contingent on the availability of funding.					
208	2018	A/74/5 (Vol. I), chap. II, para. 392	The Board recommended that the Administration accelerate digitization of the audiovisual archives and also assess additional funding requirement for the project and make efforts to obtain such funds for completing the digitization of its audiovisual records.	The digitization of the United Nations audiovisual collection began in April 2017, with the support of the Government of Oman. More than 40 per cent of the collection has been digitized. A selection has been posted on the United Nations Audiovisual Library website. The Department also commenced an in-house project to digitize audio discs to help to accelerate the digitization of the audiovisual archives. The Department will be working with Member States to raise extrabudgetary funds to support the preservation of the audiovisual history of the Organization.	The Board notes the response of the Administration and considers the recommendation to be under implementation.		X		
209	2018	A/74/5 (Vol. I), chap. II, para. 398	The Board recommended that the Administration accelerate the uploading of born-digital parliamentary documents and publications in the United Nations Digital Library System for effective sharing of information with internal and external audience.	The Dag Hammarskjold Library has developed a plan that sets out a timeline with tasks to meet this recommendation. Fully implementing this recommendation is dependent on the availability of funds.	The Board notes the response of the Administration and considers the recommendation to be under implementation.		X		
210	2018	A/74/5 (Vol. I), chap. II, para. 405	The Board recommended that the Administration (Department of Global Communications and the Office of Information and Communications Technology) formulate a time-bound action plan to assimilate or link to the digital contents of the six libraries that already have a local digital repository in place.	Department of Global Communications: The Dag Hammarskjöld Library has developed a plan that sets out a timeline with tasks to meet this recommendation. Fully implementing this recommendation is dependent on the availability of funds. The Office of Information and Communications Technology is awaiting a direction from the Dag Hammarskjöld Library regarding the timelines and technical requirements for this project in	The working group on the Dag Hammarskjöld Library had devised a five-year plan for the Library's development and it was preparing a plan to absorb, aggregate or link to the three existing Secretariat library repositories. The target date for completion is 2025, depending on the availability of funds. The Board notes the response		X		

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				order to determine the technical support and services required.	of the Administration and considers the recommendation to be under implementation.				
211	2018	A/74/5 (Vol. I), chap. II, para. 412	The Board recommended that the Administration establish controls to ensure that United Nations social media accounts reflect the ownership of the United Nations and schedule a vulnerability assessment on all social media accounts at the earliest.	The United Nations policy on the institutional use of social media was signed into effect in May 2019. Most of the heads of Secretariat entities have provided up-to-date details on their accounts, which have been recorded in a central, internal database managed by the Department of Global Communications. The Department also undertook a review of all its social media accounts, which was completed in December 2019.	In the light of the policy on the institutional use of social media, combined with the review of all the social media accounts of the Department of Global Communications completed in December 2019, this recommendation is considered to have been implemented.	X			
212	2018	A/74/5 (Vol. I), chap. II, para. 421	The Board recommended that the Administration endeavour to widen the donor base, including by increasing the number of members in the Office for the Coordination of Humanitarian Affairs donor support group to reduce vulnerability in mobilizing resources.	The Office for the Coordination of Humanitarian Affairs stated that, in 2019, it had received contributions from 71 donors to its programmes, the Central Emergency Response Fund and the country-based pooled funds. This is a slightly lower number than in 2018 (73 donors) and higher than 2017 (68 donors). While there was no new donor support group member in 2019, a new one is expected in 2020. The Office has integrated the aim of broadening its donor base into its corporate resource mobilization strategy.	The Board notes the response of the Administration and considers the recommendation to be under implementation.		X		
213	2018	A/74/5 (Vol. I), chap. II, para. 426	The Board recommended that the Administration continue to proactively advocate the increase of multi-year funding for more predictable financial resources and set targets for unearmarked funding for more focused efforts.	The Office for the Coordination of Humanitarian Affairs stated that unearmarked funding to its programmes was 44.8 per cent of all income received in 2019. Multi-year funding agreements were in place as follows: (a) Office for the Coordination of Humanitarian Affairs programme: 34 agreements, totalling $108.4 million;	The Board notes the response of the Administration, but also noticed that the proportion of unearmarked funding and the absolute amount decreased in 2019. The amount of multi-year funds received in 2019 in absolute terms also		X		

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
				(b) Country-based pooled funds (excluding funds where the multi-partner trust fund is the administrative agent, for which there are no data): 13 agreements, totalling $230.5 million; (c) Central Emergency Response Fund: 10 agreements, totalling $252.9 million. The Office has integrated the aim of reaching 40 per cent of its income as unearmarked funding into its corporate resource mobilization strategy.	decreased. In view of the above, the recommendation is considered to be under implementation.				
214	2018	A/74/5 (Vol. I), chap. II, para. 436	The Board recommended that the Administration ensure that the operational modalities for the approval of projects are strictly adhered to and that deviations, if any, follow prescribed processes and are well documented.	The implementation of the automation of the operational modalities is ongoing. The first phase of automation has begun. The first version went online in March, where projects are automatically mapped to operational modality and gaps within project timelines can be waived only by the fund manager. The next enhancement is under development and is to be launched in the fourth quarter of 2020.	The Board notes the response of the Administration and considers the recommendation to be under implementation.		X		
215	2018	A/74/5 (Vol. I), chap. II, para. 443	The Board recommended that sustained efforts be made to improve monitoring visits and financial spot checks to carry out important assurance and monitoring activities over the implementing partners.	Increased monitoring and financial spot checks are prioritized with regard to the community-based pooled funds. The conduct of required monitoring visits of projects (in line with operational modalities) has seen a steady increase: 69 per cent in 2017, 79 per cent in 2018 and 85 per cent in 2019. There has also been a considerable increase in financial spot checks. Spot checks that are required in line with operational modalities increased as follows: 45 per cent in 2017, 64 per cent in 2018 and 74 per cent in 2019. The Administration requests that the current recommendation be closed.	The Board notes the improvements made by the Office for the Coordination of Humanitarian Affairs in improving the number of monitoring visits and spot checks. However, in a large number of community-based pooled funds, the proportion of the visits and spot checks is less, especially the pooled funds managed by other agencies. The Board considers the recommendation to be under implementation.		X		

No.	*Audit report year/ biennium*	*Report reference*	*Recommendation of the Board*	*Administration's response*	*Board's assessment*	*Status after verification*			
						Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
216	2018	A/74/5 (Vol. I), chap. II, para. 453	The Board reiterated the recommendation that sustained efforts are needed to ensure timely receipt of financial and programmatic reports for effective monitoring of implementing partners.	The automated reminder for pending refund is being developed in the grant management system and is at its final stage, as part of the implementation of automation of the operational modalities. The first phase of automation has been launched, with the next enhancement under development and to be launched in the fourth quarter of 2020.	The Board notes the response of the Administration and considers the recommendation to be under implementation.		X		
217	2018	A/74/5 (Vol. I), chap. II, para. 454	The Board also recommended that the Administration utilize the partner performance index and introduce the planned fraud management tool to address risks to funding and project delivery.	The Office for the Coordination of Humanitarian Affairs stated that the case management module had been launched and rolled out across all funds. The Partner Performance Index was already in place and fully utilized.	The Board noted that, because the Office for the Coordination of Humanitarian Affairs was using the Partner Performance Index to closely follow up on performance and adjust risk score and the case management module had also been launched, the recommendation was considered to have been implemented.	X			
218	2018	A/74/5 (Vol. I), chap. II, para. 467	The Board reiterated the recommendation that the Administration make sustained and time-bound efforts to clear the backlog of audits, follow up on the pending audit recommendations and take the necessary action to ensure timely receipt of all pending refunds from implementing partners.	Long-term agreements for the audit services had resulted in a significant progress being made in clearing the backlog of audits of different funds. Refunds are being closely followed using the grant management system refund module. That system has introduced a refund alert system to notify partners of a refund due.	The Board noted the action taken by Administration, but also noticed in the current audit that there was a significant backlog and delay in the completion of audits. In view of the same, the recommendation is considered to be under implementation.		X		
219	2018	A/74/5 (Vol. I), chap. II, para. 473	The Board recommended that the Administration monitor the interest earned on country-based pooled fund grants and ensure that such interest is accounted	The Office for the Coordination of Humanitarian Affairs stated that the implementation of the recommendation was in progress.	The Board notes the response of the Administration and considers the		X		

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			and adjusted for in accordance with the prescribed process.		recommendation to be under implementation.				
220	2018	A/74/5 (Vol. I), chap. II, para. 480	The Board recommended that the Administration prepare a definite plan with clear timelines for migration to Umoja Extension 2 functionalities to eliminate duplication of efforts and investments in software systems.	The Office for the Coordination of Humanitarian Affairs stated that the bridge providing data exchange between the grant management system and Umoja was undergoing testing by its and the Umoja teams.	The Board notes the response of the Administration and considers the recommendation to be under implementation.		X		
221	2018	A/74/5 (Vol. I), chap. II, para. 481	The Board also recommended that the Administration ensure timely updating of accurate and complete information in the grant management system and identify the requirements for inclusion in the ongoing exercise of Umoja Extension 2 to ensure that the new functionalities can cater to the requirements for the management of multi partner pooled funds.	The Office for the Coordination of Humanitarian Affairs stated that the current data bridge connecting the grant management system and Umoja would facilitate the exchange of project proposal information and implementing partner disbursements. Further enhancement of the data bridge to allow financial expenditure updates and project closure would be discussed with the Umoja team in the coming months.	The Board notes the response of the Administration and considers the recommendation to be under implementation.		X		
222	2018	A/74/5 (Vol. I), chap. II, para. 487	The Board recommended that the Administration strengthen anti-fraud controls, particularly in offices where regular fraud has been noticed, and take timely and necessary administrative action for redressal.	Implementation of the recommendation is in progress. Internal controls are documented as part of the statement of internal control project.	The Board notes the status provided by the Administration and considers this recommendation to be under implementation.		X		
223	2018	A/74/5 (Vol. I), chap. II, para. 567	The Board recommended that the Administration closely monitor and manage the remaining works to ensure completion of the flexible workspace project by 2020, within the estimated cost, and ensure overall effectiveness by addressing the issues noted in the post-occupancy evaluation report.	The recommendation is in the process of implementation. The estimated total cost of the project remains unchanged from the amount of $54,981,400 projected in the second annual progress report, issued in 2017. Of that total, $43,957,660 was incurred during the period 2015–2019. The estimated cost to complete the project schedule in 2020 is $11,023,740.	The Board takes note of the current status of the implementation of the flexible workspace project. On the basis of that status, it is concluded that the recommendation remains under implementation.		X		

						Status after verification			
No.	*Audit report year/ biennium*	*Report reference*	*Recommendation of the Board*	*Administration's response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
224	2018	A/74/5 (Vol. I), chap. II, para. 576	The Board recommended that the Administration focus efforts on avoiding delays in project implementation, particularly for activities on the critical path, to avoid risk of cost escalation.	Despite all efforts, further delays were encountered owing to the delay in obtaining the main contract's signature, moving the completion date of the project from August 2022, as reported in A/74/5 (Vol. I), to October 2022. The Administration added that the recommendation had already been captured in the risk register and updated accordingly.	The Board takes note of the current status of the implementation of the project. The project has been delayed further. The recommendation is considered to be under implementation.		X		
Total					**224**	**49**	**153**	**13**	**9**
Percentage					**100**	**22**	**68**	**6**	**4**

Annex II

Status of implementation of recommendations up to the year ended 31 December 2017 on the capital master plan

No.	*Audit report year/ biennium*	*Report reference*	*Recommendation of the Board*	*Administration's response*	*Board's assessment*	*Status after verification*			
						Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
1	2011–2012	A/68/5 (Vol. V), para. 77	The Board recommended that the Administration adopt a whole life cycle asset investment strategy and assess costed options for the through-life maintenance of the Headquarters buildings.	While the Administration continues to make efforts to present to the General Assembly an updated report on the strategic capital review, the Administration respectfully requests that this recommendation be closed, by virtue of the fact that the Administration has already presented three reports on the review, which outline a whole life cycle approach to the capital maintenance of the buildings owned and operated by the Secretariat. The Assembly has approved four capital projects emanating from the review, demonstrating the commitment of Member States to making the required investment to maintain these buildings.	As stated by the Administration, it has already presented three reports on the strategic capital review, which outline a whole life cycle approach to the capital maintenance of the buildings owned and operated by the Secretariat. The recommendation is considered to have been implemented.	X			
2	2011–2012	A/68/5 (Vol. V), para. 82	The Board recommended that the Office of Central Support Services review its ongoing maintenance contracts, based on an assessment of the total scope of facilities management requirements after completion of the capital master plan, and assess the possibilities for obtaining better value from any future strategic commercial relationship.	A comprehensive assessment of the Headquarters total operations and maintenance strategy was completed in December 2019 by external experts, who concluded that the foundational elements of the current strategy at Headquarters were strong and, with the right adjustments, could accomplish the key goals of the strategy. The Facilities and Commercial Activities Service has reviewed the more than 50 recommendations provided by the experts and developed an implementation schedule for these recommendations, which will depend in part on the budgetary and liquidity situation of the United Nations. The Service has completed the review of ongoing maintenance contracts as part of the assessment of the Headquarters total operations and maintenance strategy, and the resulting action items are noted in the implementation plan.	The Administration has shared the external expert report and the implementation plan for the recommendations in this report. This recommendation is therefore considered to have been implemented.	X			

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
3	2013–2014	A/70/5 (Vol. V), para. 17 (c)	The Board recommended that the Administration accelerate closure of the remaining capital master plan contracts to increase certainty regarding final project costs and to release any potential savings.	The Administration notes that all capital master plan-related work has been completed, contracts closed and payments finalized, except for invoices related to the ongoing arbitration cases and the associated legal fees, which are ongoing. The comments relating to recommendation 17 (d) also apply to this recommendation, which is now considered to be redundant. The Administration requests that recommendation 17 (c) be closed, while 17 (d) remain open until the arbitration cases are finalized.	The contracts have been closed and payments finalized, except for invoices related to the ongoing arbitration cases and the associated legal fees. The follow-up of the potential savings and their release could be ensured through recommendation 17 (d), which is considered to be under implementation. The recommendation is considered to have been implemented.	X			
4	2013–2014	A/70/5 (Vol. V), para. 17 (d)	The Board recommended that the Administration report the full amount of any savings arising from contract closure and introducing appropriate governance mechanisms to determine the use that can be made of such savings, including specific consideration of returning savings to Member States.	All construction work for all scopes of the capital master plan project has been completed. However, contractual litigation is still in progress, and any potential savings cannot be released until the conclusion of the litigation process.	Given that potential savings cannot be released until the conclusion of the litigation process, this recommendation is considered to be under implementation.		X		
5	2015	A/71/5 (Vol. V), para. 17 (d)	The Board recommended that the Administration perform a detailed analysis of operational data and building malfunctions to help it develop a strong business case for submission to the General Assembly in support of its proposed annual and longer-term maintenance budgets.	A comprehensive assessment of the Headquarters total operations and maintenance strategy was completed in December 2019 by external experts, who concluded that the foundational elements of the current strategy at Headquarters were strong and, with the right adjustments, could accomplish the key goals of the strategy. The Facilities and Commercial Activities Service has reviewed the more than 50 recommendations provided by the experts and developed an implementation schedule for these recommendations, which will	The Administration has shared the external expert report and the implementation plan for the recommendations in this report. This recommendation is considered to have been implemented.	X			

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				depend in part on the budgetary and liquidity situation of the United Nations.					
6	2016	A/72/5 (Vol. V), para. 62	The Board recommended that the Administration make efforts to operationalize the Umoja plant maintenance module to enable an early review of its maintenance practices. This would enable the Administration to prepare a long-term maintenance plan covering any gaps in its maintenance efforts.	The Facilities and Commercial Activities Service has completely operationalized the Umoja plant maintenance module as from October 2018. The data collected were used in the full review of Headquarters maintenance practices and its maintenance strategy, which was completed in December 2019.	The use of data from the Umoja plant maintenance module for independent assessment is indicative of the module's utility. This recommendation is considered to have been implemented.	X			
7	2016	A/72/5 (Vol. V), para. 69	The Board recommended that the Administration take steps to strengthen the internal control for protection of assets, and for their proper recording and monitoring.	In 2019, the Global Asset Management Policy Service rolled out a comprehensive asset management performance monitoring framework to all Secretariat entities, as part of the management reform efforts of the Secretary-General. This framework includes the development and promulgation of key performance indicators and Umoja business intelligence tools that allow entities to regularly record and update key financial data in the system of record. The Service also provides quarterly reports to entities that provide updates on scoring relative to the key performance indicators and recommends entities to make necessary corrections/ improvements well in advance of the year-end closure of the financial statements.	The Administration has emphasized property management in the implementation of management reforms, and property management is a part of the accountability framework that is monitored through the key performance indicators. This recommendation is considered to have been implemented.	X			
8	2016	A/72/5 (Vol. V), para. 79	The Board recommended that the Administration carry out a feasibility analysis on the parameters set in the consultant's report of April 2015 to identify areas for improving energy efficiency, after taking into consideration the enhanced flexibility offered by the	A comprehensive feasibility analysis that outlined areas for improving energy efficiency was performed by the Plant Engineering Section in 2019 and formally submitted to management in February 2020.	The Division of Administration considered the recommendation under the feasibility analysis of the consultant's report and suggested the line of action to be followed. This recommendation is	X			

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			implementation of the capital master plan.		considered to have been implemented.				
9		A/72/5 (Vol. V), para. 95	The Board recommended that the Administration regularly monitor productivity gains while ensuring reduction in space requirements.	The Administration continues to monitor the impact on productivity in relation to the flexible workplace project, through the post occupancy evaluation. As reflected in the progress report of the Secretary-General (A/74/345, para. 4) on the flexible workplace project, an additional capacity of 994 workspaces has been added in the Secretariat since the beginning of the project.	The Administration has provided the most recent post occupancy evaluation reports, of 2019. The project is also leading to a reduction in space requirements. The recommendation is considered to have been implemented.	X			
10	2017	A/73/5 (Vol. V), para. 15	The Board recommended that the Administration review the methodology followed for the preparation of estimates to establish norms for the common/general nature of expenses in order to ensure that the estimates for projects are realistic.	The Global Asset Management Policy Service has issued comprehensive guidance and standard cost templates for use by all Secretariat entities in developing their annual capital maintenance budgets, which includes guidance on how to establish unit rates for various line items in the budgets.	The Administration's initiative is expected to improve the preparation of estimates. The recommendation is considered to have been implemented.	X			
11	2017	A/73/5 (Vol. V), para. 56	The Board recommended that the Administration maintain an updated registry of works of art and gifts and carry out their physical verification annually to assure their existence.	The updated gift inventory registry has been integrated into the computer-aided facility management system's gift module. In addition, the physical verification of the gifts was completed in the last quarter of 2019 and is performed annually.	The Administration has integrated a gift inventory registry into the computer-aided facility management system's gift module and provided results of the physical verification done in 2019. This recommendation is considered to have been implemented.	X			
12	2017	A/73/5 (Vol. V), para. 65	The Board recommended that the Administration explore the utility of the Energy Dashboard and Reporting Tool with regard to monitoring the energy consumption of floors and	The Administration has explored the utility of the Energy Dashboard and Reporting Tool and previously reported on its use in monitoring energy consumption at Headquarters. The system has proved to have some limitations and, as previously noted, will no longer be supported by the vendor in	The Administration has explored the utility of the Energy Dashboard and Reporting Tool and decided on a replacement, in the form of an enhanced system, which would be a	X			

No.	*Audit report year/ biennium*	*Report reference*	*Recommendation of the Board*	*Administration's response*	*Board's assessment*	*Status after verification*			
						Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
			buildings so as to further reduce energy consumption wherever possible. The Board further recommended that the Administration report on reductions in consumption of water as well.	the future. The Administration considers that it has implemented the recommendation to explore the use of the Tool to support a reduction in energy consumption, which has now been overtaken by events. The eventual replacement of the Tool with an enhanced system will be a new project not related to the capital master plan. The Administration requests that the recommendation be closed.	new project not related to the capital master plan. This recommendation is considered to have been implemented.				
13	2017	A/73/5 (Vol. V), para. 70	The Board recommended that the Administration analyse the responses to the survey on iSeek and take remedial measures.	The Administration notes that the three-year plan being implemented took into account the responses to the survey on iSeek and that the comments to the recommendation contained in paragraph 71 are also valid for this recommendation. In view of this, the Administration requests that this recommendation be closed, while that in paragraph 71 remain open until completion of the plan.	The responses to the survey have been considered in the three-year plan, and hence the focus of the recommendation has been addressed. The actual implementation would be followed up through the recommendation in paragraph 71. This recommendation is considered to have been implemented.	X			
14	2017	A/73/5 (Vol. V), para. 71	The Board recommended that the Administration examine the requirements of the 2010 ADA Standards for Accessible Design and take necessary steps on a progressive basis towards compliance with those standards to ensure accessibility to all individuals with disabilities.	The Administration has established a phased three-year plan to implement the recommendations of the accessibility experts, which take into consideration the 2010 American with Disabilities Act standards.	The implementation of the recommendation is ongoing and is expected to be completed by the end of 2022. This recommendation is therefore considered to be under implementation.		X		

No.	Audit report year/ biennium	Report reference	Recommendation of the Board	Administration's response	Board's assessment	*Status after verification* Implemented	Under implementation	Not implemented	Overtaken by events
15	2017	A/73/5 (Vol. V), para. 84	The Board recommended that the Administration make adequate arrangements for funding the operational and maintenance costs of assets created as a result of the donation from the International Olympic Committee.	The Administration reiterates that it considers the recommendation to have been implemented because funding arrangements have been made to maintain the assets over the medium term and useful life of the equipment, inclusive of 2025. It also notes that the International Olympic Committee donation was not part of the capital master plan project and that arrangements for the replacement, upgrade and maintenance of the equipment after 2025 will be a new project coordinated with the United Nations Staff Union and the United Nations Staff Recreation Council in the coming years. In view of the above, the Administration reiterates its request for the recommendation to be closed.	The funding arrangements have been made to maintain the assets over the medium term and useful life of the equipment, inclusive of 2025. The upgrade and maintenance of the equipment after 2025 will be a new project. Considering the arrangement over medium term and useful life of the equipment, this recommendation is considered to have been implemented.	X			
	Total				**15**	**13**	**2**	**–**	**–**
	Percentage				**100**	**87**	**13**	**–**	**–**

Chapter III
Certification of the financial statements

Letter dated 25 March 2020 from the Assistant Secretary-General, Controller, addressed to the Chair of the United Nations Board of Auditors

The financial statements of the United Nations for the year ended 31 December 2019 have been prepared in accordance with rule 106.1 of the Financial Regulations and Rules of the United Nations. The statements cover all funds except peacekeeping operations, the United Nations Compensation Commission and the International Residual Mechanism for Criminal Tribunals, which are the subject of separate financial statements.

The summary of significant accounting policies applied in the preparation of these statements is included as notes to the financial statements. The notes provide additional information on and clarification of the financial activities undertaken by the Organization during the period covered by these statements for which the Secretary-General has administrative responsibility.

I certify that the appended financial statements of the United Nations, numbered I to V, are correct in all material respects.

(*Signed*) Chandramouli **Ramanathan**
Assistant Secretary-General, Controller

Chapter IV
Financial report for the year ended 31 December 2019

A. Introduction

1. The Secretary-General has the honour to submit the financial report on the volume I set of accounts of the United Nations for the year ended 31 December 2019.

2. The financial situation of the Organization is presented in five financial statements and the accompanying notes that provide financial information relating to the United Nations General Fund and related funds, trust funds, the Tax Equalization Fund, capital assets and construction-in-progress funds, end-of-service/post-employment benefits funds, insurance/workers' compensation and other funds.

3. The financial statements presented herein do not include peacekeeping operations, the United Nations Compensation Commission and the International Residual Mechanism for Criminal Tribunals, which are reported on separately. Separate financial statements are also issued for the International Trade Centre (ITC), the United Nations University, the United Nations Institute for Training and Research, the United Nations Office on Drugs and Crime (UNODC), the United Nations Environment Programme (UNEP) and the United Nations Human Settlements Programme (UN-Habitat).

4. The present financial report is designed to be read in conjunction with these financial statements. It presents an overview of the consolidated position and performance of the Organization, highlighting trends and significant movements. In 2019, at the consolidated level, there was a surplus of revenue over expenses, and net assets decreased while liabilities increased, primarily owing to actuarial losses related to employee benefits. At the consolidated level, cash assets exceeded current liabilities; however, the regular budget segment was affected by increased liquidity risk relating to the sufficiency of cash assets to settle short-term financial demands.

B. Liquidity

5. Liquidity ratios are presented at the fund group level in table IV.1 below. At the level of the consolidated total, the ratio of consolidated cash assets to current liabilities was 3.4 (2018: 3.1) and the ratio of current assets to current liabilities was 4.1 (2018: 4.2). Although the liquidity ratios appeared to be stable, the ratios at the consolidated level were skewed by the cash assets of the trust funds group, which are earmarked for specific activities of trust funds and not available to other fund groups, and the operational reserves of insurance funds. When the ratios were computed separately for the regular budget and related funds, the liquidity was much tighter. The ratio of cash assets to current liabilities was merely 0.1 (2018: 0.1) and the ratio of current assets to current liabilities was 1.1 (2018: 1.1).

6. The regular budget started 2019 with very poor liquidity, and the Administration reported on the deteriorating state of the liquidity in the peacekeeping and regular budgets. While the liquidity problem was driven by the delay in the payments of assessed contributions by Member States, the ability to respond adequately to the liquidity challenges was hampered by restrictions in the regulatory framework. The Administration presented a set of proposals for removing those restrictions and building more resilience in cash management, of which only two, relating to peacekeeping operations, were endorsed by the General Assembly: removal of the restriction on cross-borrowing of cash for active missions and assessment for the full budget period, including the non-mandated period. The proposals to improve the

regular budget cash situation were not approved. Consequently, the liquidity of the regular budget was at its lowest point around the end of November 2019, when the Working Capital Fund and the Special Account ($150.0 million and $202.7 million, respectively) were depleted and the borrowings from closed peacekeeping missions reached $187.6 million.

Table IV.1
Liquidity ratio by fund group
(Millions of United States dollars)

	31 December 2019					*31 December 2018*	
	Cash assets	*Total current assets*	*Current liabilities*	*Cash assets to current liabilities*	*Current ratio*	*Cash assets to current liabilities*	*Current ratio*
Fund group	*A*	*B*	*C*	*A/C*	*B/C*	*A'/C''*	*B'/C'*
Regular budget and related funds	36.4	560.2	494.9	0.1	1.1	0.1	1.1
Trust funds	2 459.9	3 094.7	240.2	10.2	12.9	9.6	13.7
Capital assets and construction-in-progress	92.4	122.2	28.3	3.3	4.3	3.2	3.0
Common support services	414.4	415.9	41.2	10.1	10.1	10.7	12.4
Long-term employee benefits	177.9	147.0	140.8	1.3	1.0	0.9	0.8
Insurance/workers' compensation	725.3	596.6	151.5	4.8	3.9	5.2	4.9
Other	256.6	219.0	198.1	1.3	1.1	1.2	1.3
Consolidated total[a]	**4 162.9**	**5 101.7**	**1 241.1**	**3.4**	**4.1**	**3.1**	**4.2**

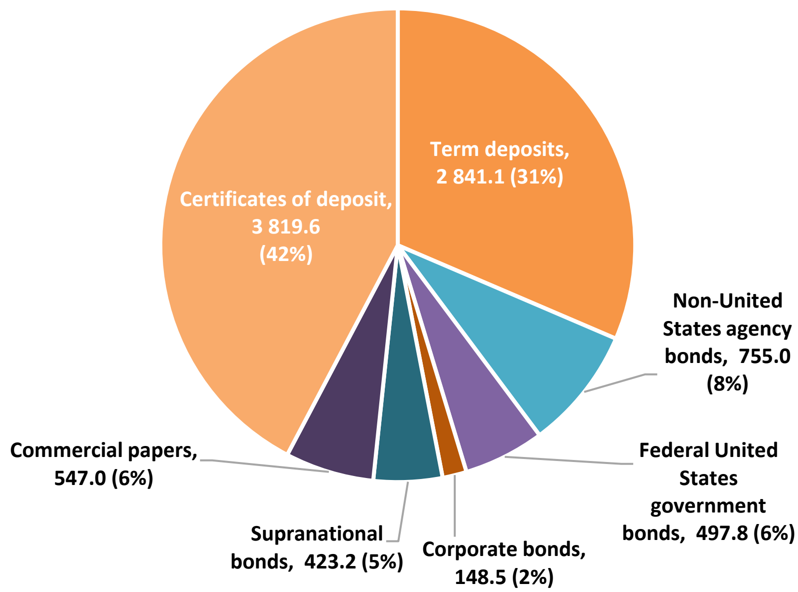
[a] Consolidated figures include eliminations that are not shown above.

C. Overview of assets and liabilities

Cash and cash pool investments

7. As at 31 December 2019, the Organization held cash and cash pool investments of $4,162.9 million (2018: $3,553.6 million). Cash and cash pool investments were the biggest asset group, representing 42.9 per cent of total assets. The main cash pool consists largely of investments in liquid bonds (issued by Governments and government agencies), commercial papers and term deposits (see figure IV.I below).

Figure IV.I
Main cash pool cash equivalents and investments by instrument type[a]
(Millions of United States dollars and percentage)

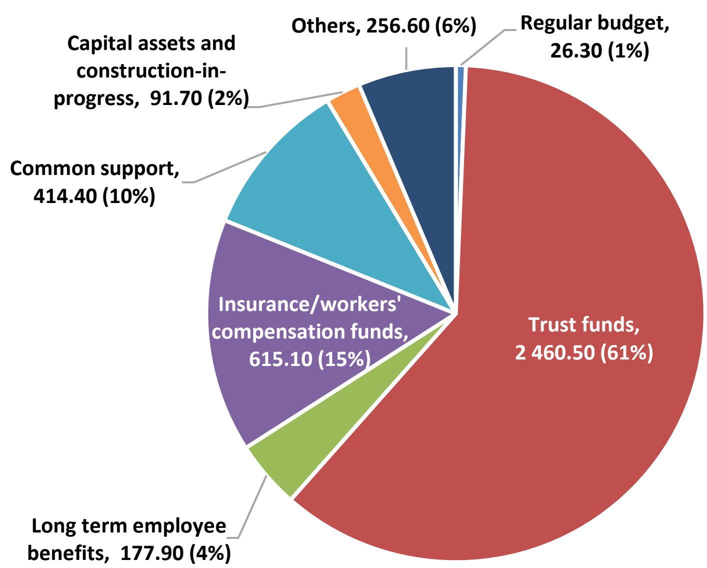


[a] 43 per cent of the main pool belongs to volume I.

8. In 2019, the net investment income from cash pools was $99.3 million (2018: $66.2 million). The rate of return in cash pools was 2.33 per cent (2018: 1.94 per cent).

9. The trust funds group accounted for 61 per cent of the cash pools, while 15 per cent was held by insurance/workers' compensation funds (see figure IV.II below).

Figure IV.II
Holdings in cash pools by fund group
(Millions of United States dollars and percentage)



Assessed contributions receivable

10. Outstanding assessed contributions receivable as at 31 December 2019 was $441.3 million ($793.4 million, less allowance for doubtful receivables of $352.1 million). Assessed contributions receivable increased from the prior year by $62.9 million (a 17 per cent increase), straining the liquidity of the regular budget throughout the year.

Table IV.2
Assessed contributions: receivables from non-exchange transactions
(Millions of United States dollars)

	2019	*2018*	*Change*	*Percentage change*
Assessed contributions receivable	793.4	693.7	99.7	14
Allowance for doubtful receivable	(352.1)	(315.3)	(36.8)	12
Total assessed contributions receivable	**441.3**	**378.4**	**62.9**	**17**

Voluntary contributions receivable

11. Voluntary contributions receivable as at 31 December 2019 amounted to $1,459.7 million. In 2019, the total amount of voluntary contributions receivable decreased by $82.0 million, with a decrease in non-current voluntary contributions receivable of $139.1 million and an increase in current voluntary contributions receivable by $57.1 million. The large decrease in receivables is primarily owing to the decrease in pledges for the trust fund for strengthening the Office of the Emergency Relief Coordinator and the trust fund for the support of the Centre for Human Rights.

12. The voluntary contributions receivable was mainly related to the human rights and humanitarian affairs segment ($976.4 million, or 66.9 per cent), which largely comprised the receivables of the Central Emergency Response Fund ($438.7 million) and the Office for the Coordination of Humanitarian Affairs ($280.1 million).

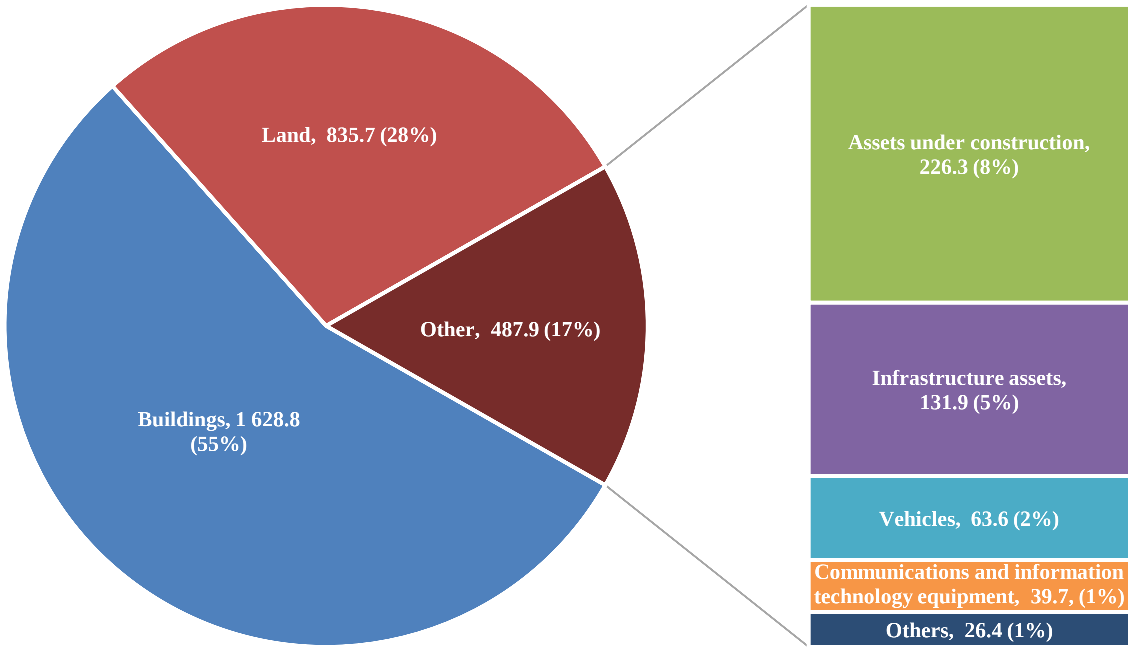
Property, plant and equipment

13. There was no significant change in the carrying value of property, plant and equipment during 2019. The decline in the net book value was $30.3 million (a 1 per cent decrease) from the opening balance of $2,982.7 million to the ending balance of $2,952.4 million.

14. Property, plant and equipment was the second biggest asset category, representing 30.4 per cent of total assets. The composition of property, plant and equipment is shown in figure IV.III below.

Figure IV.III
Property, plant and equipment

(Millions of United States dollars and percentage)



15. Buildings largely comprised those at United Nations Headquarters in New York, at the United Nations Assistance Mission in Afghanistan and at the United Nations Office at Geneva, valued at $1,188.2 million, $103.3 million and $78.9 million, respectively. The Vienna International Centre is classified as a finance lease. Each occupant of the Centre recognizes a portion of the buildings. The Organization's share is 22.76 per cent, with a recognized value of $59.4 million.

16. Land largely included that at United Nations Headquarters and at the United Nations Office at Geneva, amounting to $617.8 million and $191.7 million, respectively. The land at the Economic Commission for Africa (ECA) and at the United Nations Office at Nairobi are not recognized as it is not deemed to be under the control of the Organization.

17. A summary of major additions during the year and balances as at 31 December 2019 for assets under construction is presented in table IV.3.

Table IV.3
Assets under construction: major additions

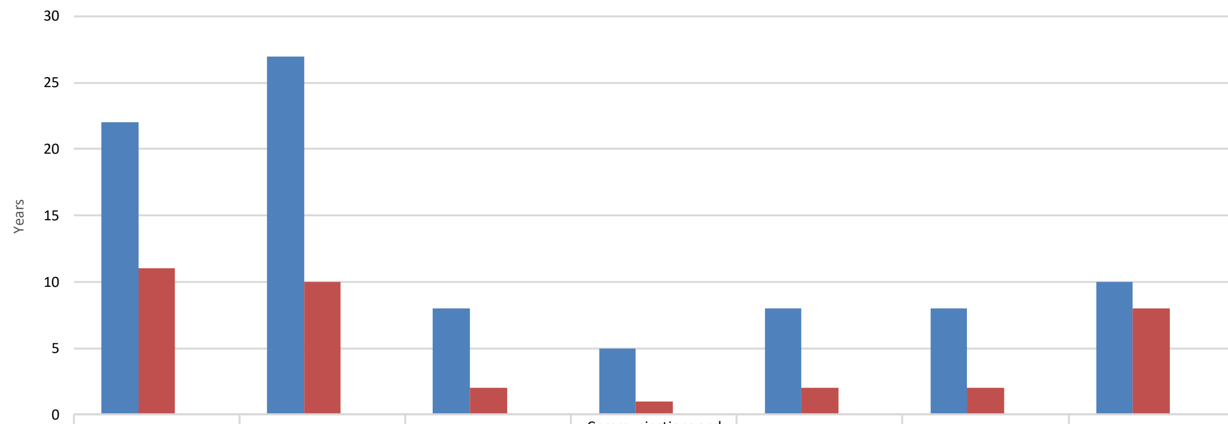
(Millions of United States dollars)

Project	*Additions in 2019*	*Construction-in-progress at 31 December 2019*
United Nations Office at Geneva – strategic heritage plan	57.4	179.3
Special political missions – buildings and infrastructure	6.2	6.6
United Nations Headquarters – flexible workspace	5.6	14.8
Economic Commission for Africa – Africa Hall	3.7	9.9
Economic and Social Commission for Asia and the Pacific – seismic mitigation	2.6	5.4

18. The average remaining years of useful life compared with original average useful life of various categories of property, plant and equipment are shown in figure IV.IV.

Figure IV.IV
Remaining useful lives of property, plant and equipment

(Years and percentage)

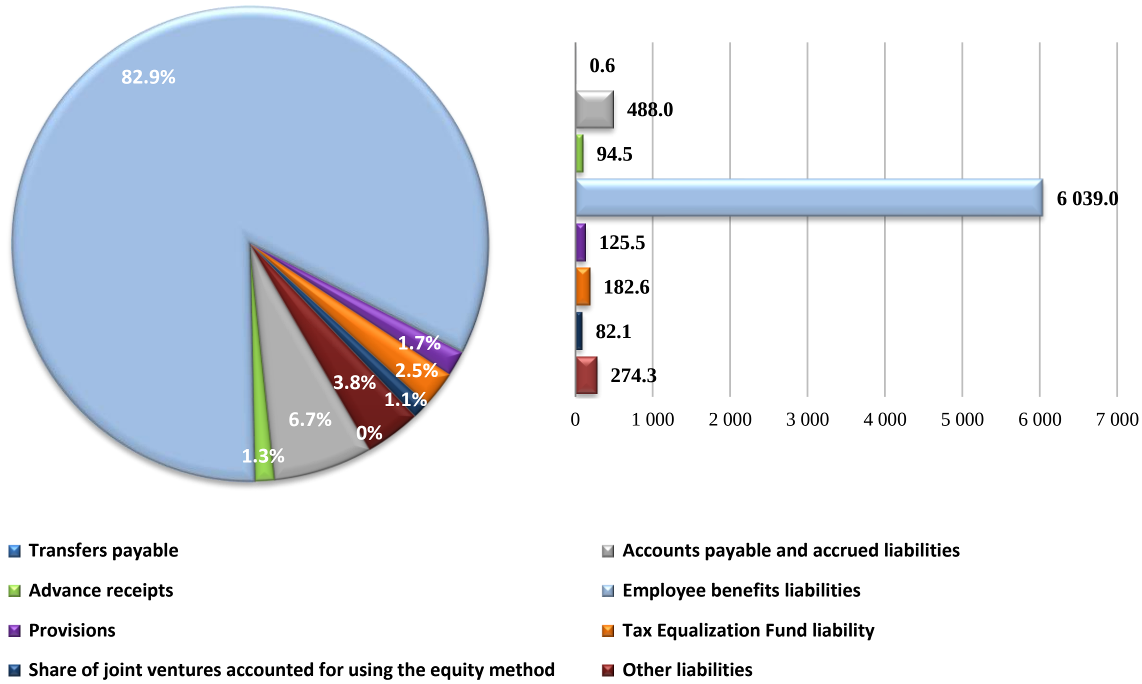


	Building	Infrastructure	Vehicles	Communications and information technology equipment	Machinery and equipment	Furniture	Leasehold improvements
Total	22	27	8	5	8	8	10
Remaining	11	10	2	1	2	2	8
Percentage	50	37	25	20	25	25	80

Liabilities

19. The total liabilities increased by $1,318.5 million (a 22.1 per cent increase) during 2019, from $5,968.2 million to $7,286.7 million. The most notable increase took place in employee benefits liabilities, which accounted for 82.9 per cent of the total liabilities. Figure IV.V below presents the composition of the liabilities as at 31 December 2019.

Figure IV.V
Liabilities as at 31 December 2019
(Millions of United States dollars and percentage)

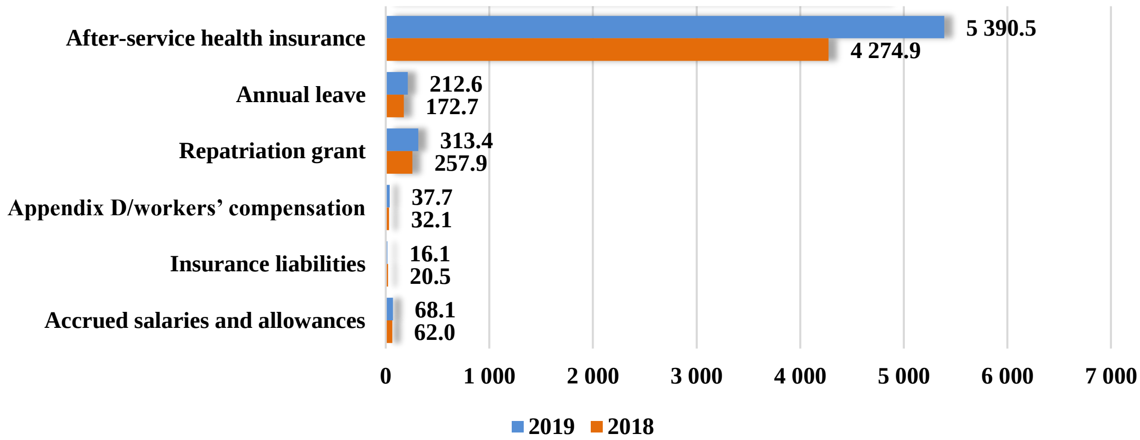


Employee benefits liabilities

20. The total employee benefits liabilities increased by $1,218.3 million in 2019, of which $1,211.0 million related to after-service health insurance, annual leave and repatriation grant benefits. The increase was largely due to the decrease in discount rates used for actuarial valuation, partially offset by a change in the per capita claim assumption (for after-service health insurance) and changes in mortality tables and withdrawal and retirement rates. The changes in employee benefits liabilities are shown in figure IV.VI below.

21. Defined benefits liabilities of the regular budget remain unfunded and the pay-as-you-go approach continues for the present time, posing a long-term risk. For extrabudgetary funds, the funding of after-service health insurance liabilities began in 2017 with monthly accruals at 3 per cent on employee salaries that were further increased to 6 per cent in 2019. The total related funding in three years, including investment income, was $58.1 million.

Figure IV.VI
Employee benefits liabilities
(Millions of United States dollars)



D. Overview of financial performance

Revenue

22. The total revenue for 2019 was $6,896.6 million (2018: $6,790.4 million). The overall increase of $106.2 million was mainly due to increases in assessed contributions of $222.2 million, other transfers and allocations of $90.3 million, investment revenue of $44.7 million, contributions for self-insurance funds of $27.2 million, and other revenue of $21.3 million; however, these were offset by a decrease in voluntary contributions of $299.5 million.

23. Figures IV.VII and IV.VIII below provide analysis of revenue by nature and by segment.

Figure IV.VII
Revenue by nature
(Millions of United States dollars and percentage)

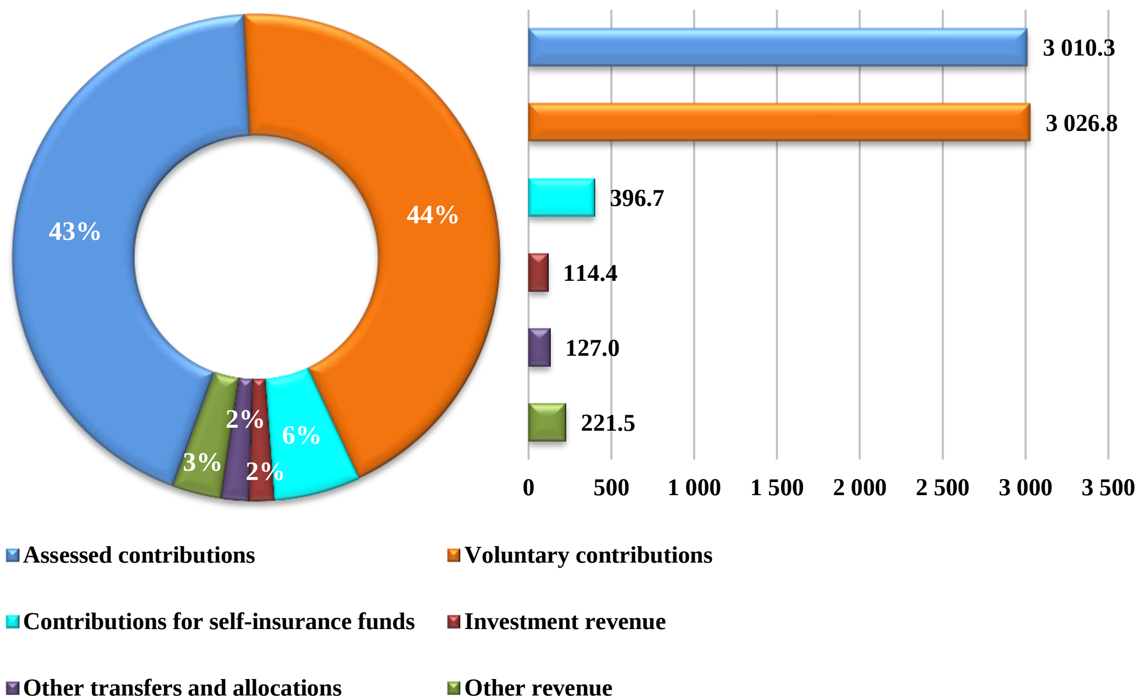
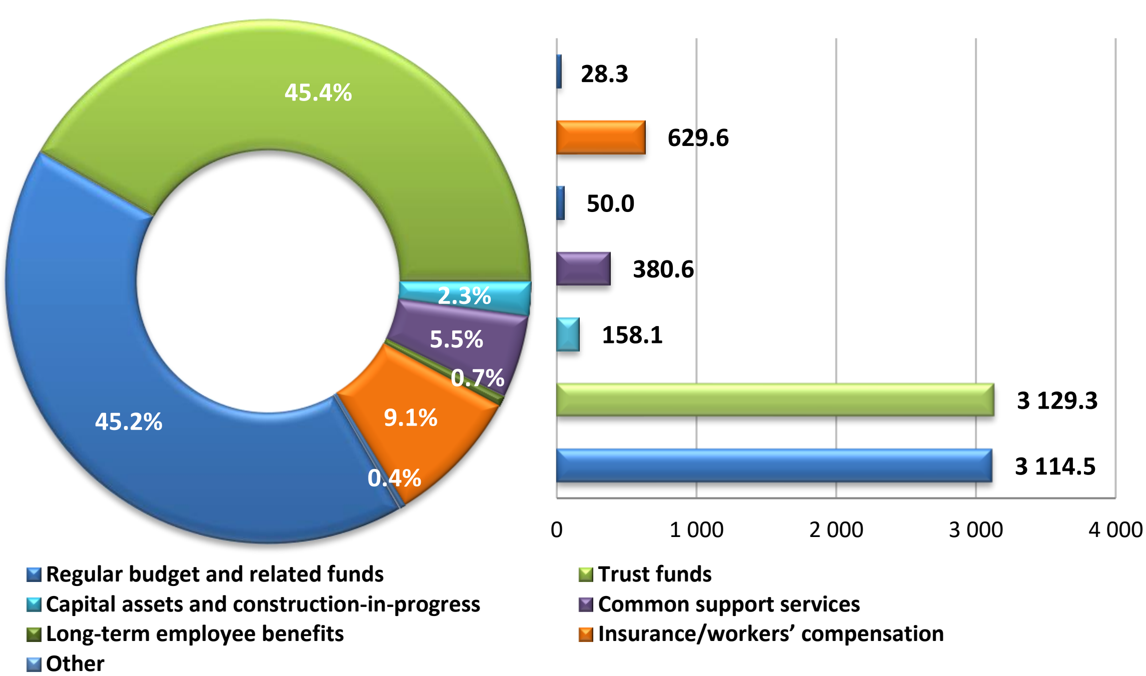


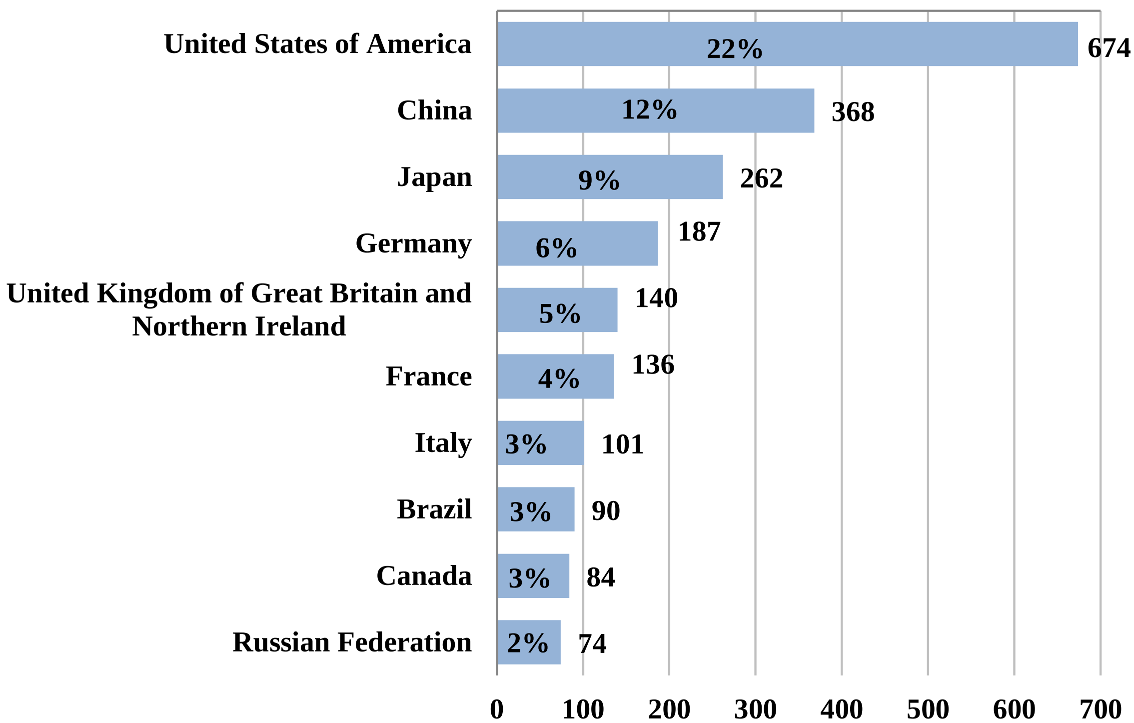
Figure IV.VIII
Revenue by segment[a]
(Millions of United States dollars and percentage)



[a] The figures above do not include inter-segment elimination revenue of $593.9 million.

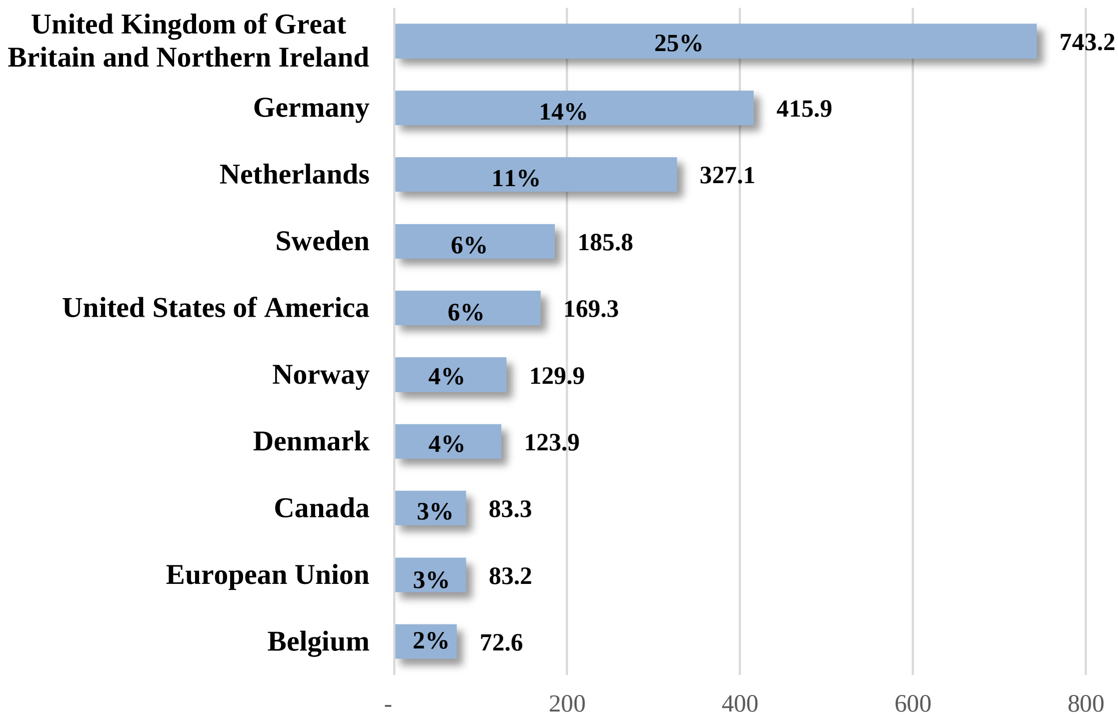
24. Assessed contributions revenue of $3,010.3 million comprised 43 per cent of the total revenue. Assessed contributions are based on a scale of assessments approved by the General Assembly; figure IV.IX indicates the Member States with the largest assessments for 2019.

Figure IV.IX
Top 10 contributors of assessed contributions
(Millions of United States dollars and percentage)



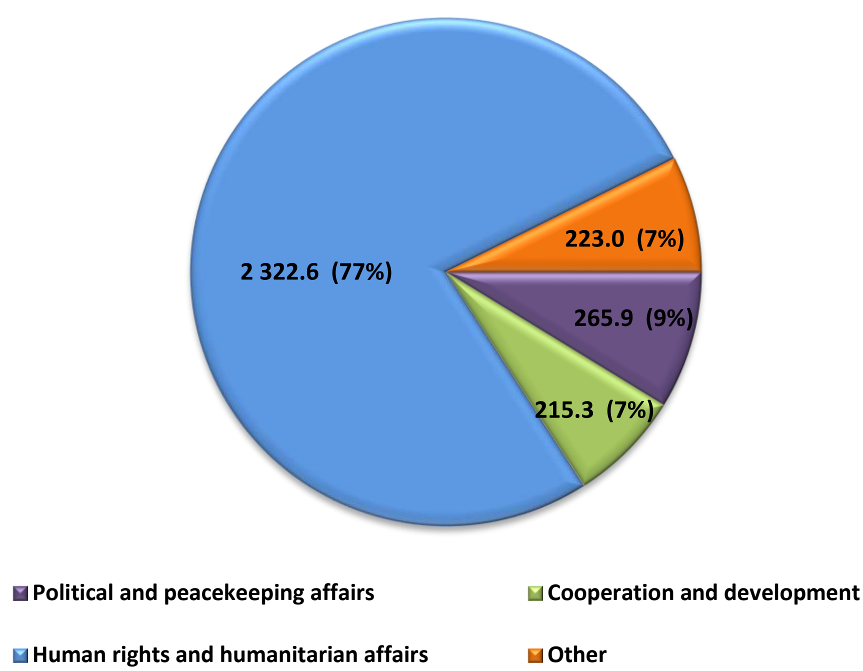
25. Voluntary contributions revenue of $3,026.8 million comprised 43.9 per cent of total revenue. In 2019, the total amount of voluntary contributions revenue decreased by $299.5 million compared with 2018, mainly due to a decrease in contributions for the trust fund for the support of the Centre for Human Rights by $89.1 million, the trust fund for counter-terrorism by $88.5 million and the trust fund for strengthening the Office of the Emergency Relief Coordinator system by $63.5 million. Figure IV.X shows major contributors for 2019. Figure IV.XI highlights voluntary contributions by programme segment. The voluntary contributions were directed largely to the human rights and humanitarian affairs pillar.

Figure IV.X
Major voluntary contributors[a]
(Millions of United States dollars)



[a] Excludes contributions of $500.0 million received from the Government of Saudi Arabia and $100.0 million from the Government of the United Arab Emirates through a pass-through arrangement.

Figure IV.XI
Voluntary contributions by major work pillar
(Millions of United States dollars and percentage)

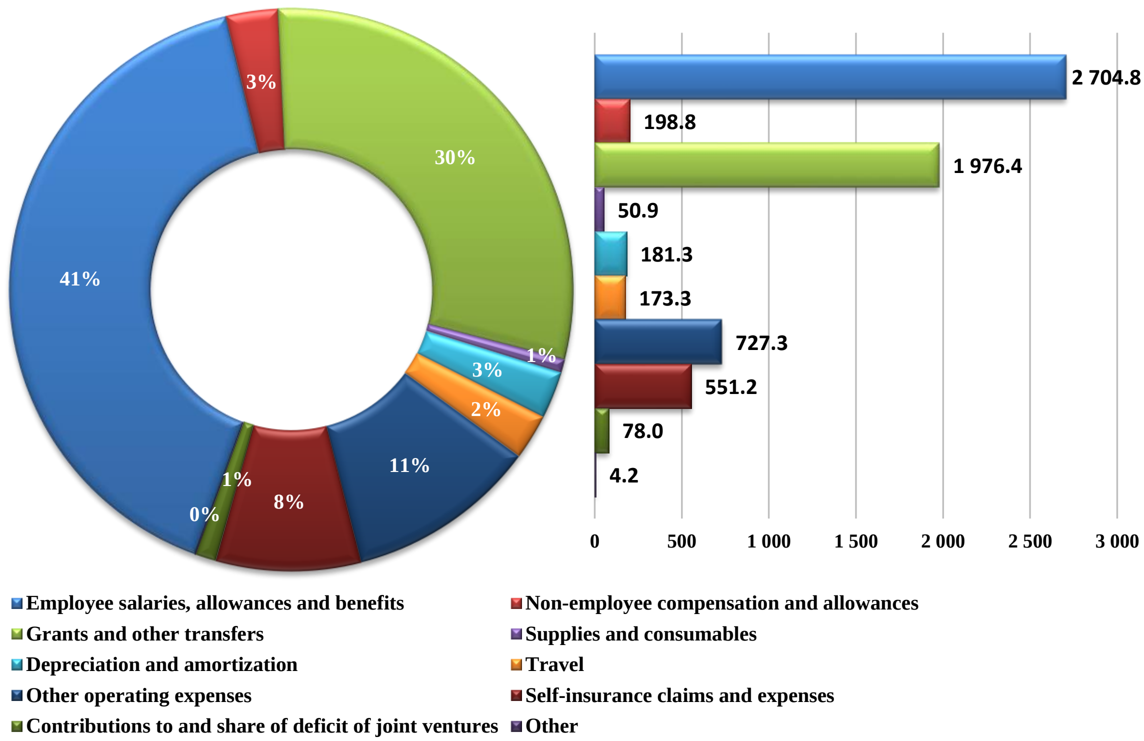


Expenses

26. Total expenses for 2019 were $6,646.4 million (2018: $6,267.3 million). The increase of $379.1 million (or 6 per cent) was mostly attributable to employee benefits expenses of $161.7 million. Another notable increase was in grants and other transfers of $157.2 million and non-employee compensation and allowances of $47.7 million.

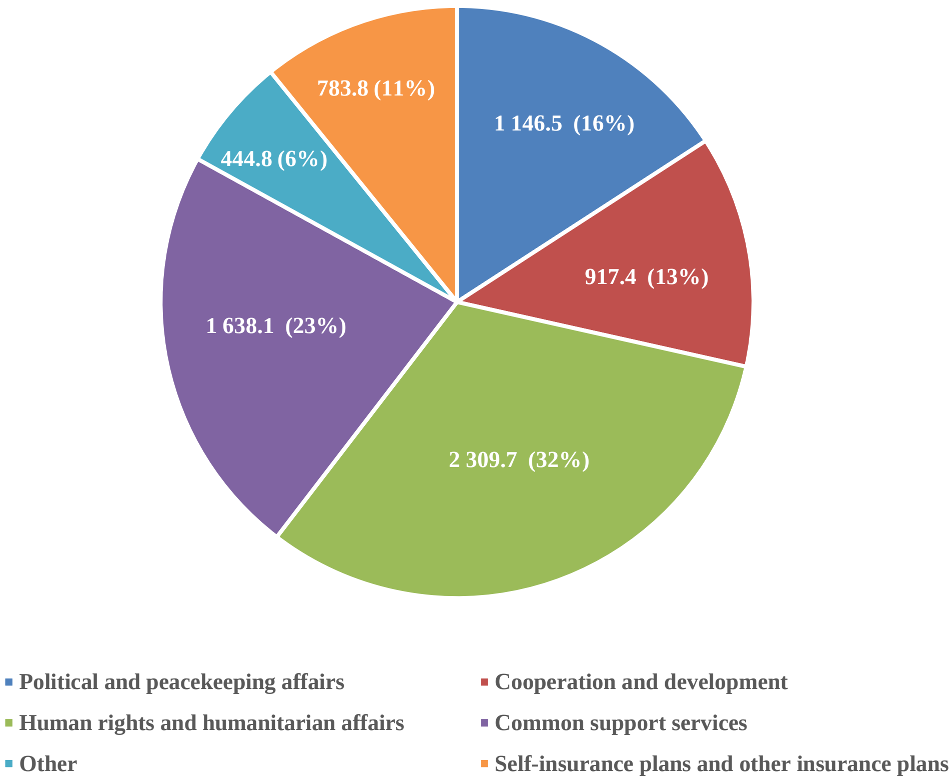
27. Figure IV.XII highlights expenses by nature. The largest classes were employee salaries, allowances and benefits, in the amount of $2,704.8 million (41 per cent), and grants and transfers to end beneficiaries and implementing partners, in the amount of $1,976.4 million (30 per cent). Other operating expenses, in the amount of $727.3 million, was also a significant class (11 per cent) and was composed largely of contracted services, acquisition of goods and rental of office space.

Figure IV.XII
Expenses by nature
(Millions of United States dollars and percentage)



28. Figure IV.XIII highlights expenses by work pillar. Human rights and humanitarian affairs, common support services and political and peacekeeping affairs were the main pillars of expense.

Figure IV.XIII
Expenses by work pillar
(Millions of United States dollars)



E. Net assets

29. Net assets of $2,428.2 million as at 31 December 2019 consisted of accumulated surplus of $2,372.8 million and reserves of $55.4 million. The decrease in net assets in 2019 was $785.7 million and was attributable primarily to actuarial losses on employee benefits liabilities ($1,026.6 million), which were offset by the surplus for the year ($250.2 million).

F. Budgetary performance of the regular budget

30. The regular budget continues to be prepared on a modified cash basis. The original budget was $5,396.9 million for the biennium 2018–2019. The final budget, which represents revised amounts authorized for the biennium 2018–2019, was $5,873.7 million for the biennium 2018–2019 and $3,061.3 million for the year 2019.

31. In 2019, the final annual budget of $3,061.3 million exceeded the original annual budget of $2,999.4 million by $61.9 million, or 2.1 per cent. Changes to the original budget related mainly to jointly financed administrative activities and special expenses, capital expenditure, international justice and law, and security and safety. The differences are attributable primarily to additional requirements presented in the second performance report of the Secretary-General on the programme budget for the biennium 2018–2019 (A/74/570) that were subsequently approved by the General Assembly in its resolution 74/250.

32. The budget utilized during 2019 was $3,061.3 million, which was 100 per cent of the final 2019 annual budget. Implementation of the budget was often held back as a result of continued liquidity constraints. Later in the year, to ensure completion of mandates, the balance of the budget was committed in full pending the receipt of the corresponding assessments from Member States.

Chapter V

Financial statements for the year ended 31 December 2019

Operations of the United Nations as reported in volume I

I. Statement of financial position as at 31 December 2019

(Thousands of United States dollars)

	Reference	*31 December 2019*	*31 December 2018*
Assets			
Current assets			
Cash and cash equivalents	Note 6	1 110 997	366 242
Investments	Note 7	2 278 900	2 913 517
Assessed contributions receivable	Note 8	441 290	378 402
Voluntary contributions receivable	Note 9	718 729	661 626
Other receivables	Note 10	136 224	122 283[a]
Inventories	Note 11	31 366	28 933
Other assets	Note 12	384 238	422 486
Total current assets		**5 101 744**	**4 893 489**
Non-current assets			
Investments	Note 7	772 973	273 874
Voluntary contributions receivable	Note 9	740 932	880 008
Other receivables	Note 10	780	805[a]
Property, plant and equipment	Note 14	2 952 400	2 982 666
Intangible assets	Note 15	142 647	130 523
Share of joint arrangements accounted for using the equity method	Note 23	3 445	20 743
Total non-current assets		**4 613 177**	**4 288 619**
Total assets		**9 714 921**	**9 182 108**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	Note 16	488 043	383 879[a]
Advance receipts	Note 17	94 511	124 377
Employee benefits liabilities	Note 18	223 933	225 839
Provisions	Note 19	125 295	157 661
Tax equalization liability	Note 20	182 595	150 873
Other liabilities	Note 21	126 749	110 856
Total current liabilities		**1 241 126**	**1 153 485**

Operations of the United Nations as reported in volume I

I. Statement of financial position as at 31 December 2019 (continued)

(Thousands of United States dollars)

	Reference	*31 December 2019*	*31 December 2018*
Non-current liabilities			
Transfers payable		592	2 758[a]
Employee benefits liabilities	Note 18	5 815 100	4 594 909
Provisions	Note 19	235	261
Share of joint arrangements accounted for using the equity method	Note 23	82 132	77 238
Other liabilities	Note 21	147 532	139 562
Total non-current liabilities		**6 045 591**	**4 814 728**
Total liabilities		**7 286 717**	**5 968 213**
Net of total assets and total liabilities		**2 428 204**	**3 213 895**
Net assets			
Accumulated surplus	Note 24	2 372 754	3 169 225
Reserves	Note 24	55 450	44 670
Total net assets		**2 428 204**	**3 213 895**

[a] Restated to conform to the current year presentation.

The accompanying notes to the financial statements are an integral part of these financial statements.

Operations of the United Nations as reported in volume I

II. Statement of financial performance for the year ended 31 December 2019

(Thousands of United States dollars)

	Reference	*2019*	*2018*
Revenue			
Assessed contributions	Note 25	3 010 252	2 788 097
Voluntary contributions	Note 25	3 026 770	3 326 306
Contributions for self-insurance funds	Note 27	396 705	369 536
Other revenue	Note 26	221 486	200 155
Other transfers and allocations	Note 25	126 972	36 638
Investment revenue	Note 29	114 373	69 694
Total revenue		**6 896 558**	**6 790 426**
Expenses			
Employee salaries, allowances and benefits	Note 28	2 704 825	2 543 154
Non-employee compensation and allowances		198 827	151 116
Grants and other transfers	Note 28	1 976 437	1 819 227
Supplies and consumables		50 932	51 367
Depreciation and amortization	Notes 14,15	181 318	192 932
Impairment	Notes 14,15	56	355
Travel		173 340	161 740
Other operating expenses	Note 28	727 317	732 068
Self-insurance claims and expenses	Note 27	551 219	544 773
Finance costs	Note 21	1 352	–
Contributions to and share of deficit of joint arrangements accounted for on the equity method	Note 23	78 022	69 343
Other expenses	Note 28	2 756	1 241
Total expenses		**6 646 401**	**6 267 316**
Surplus for the year		**250 157**	**523 110**

The accompanying notes to the financial statements are an integral part of these financial statements.

Operations of the United Nations as reported in volume I

III. Statement of changes in net assets for the year ended 31 December 2019

(Thousands of United States dollars)

	Reference	*Accumulated surplus*	*Reserves*	*Total net assets*
Net assets as at 1 January 2018		**2 082 989**	**60 249**	**2 143 238**
Changes in net assets				
Actuarial gains on employee benefits liabilities	Note 24	530 520	–	530 520
Share of changes recognized by joint arrangements directly in net assets	Note 23	11 148	–	11 148
Transfers (from)/to reserves		15 579	(15 579)	–
Consolidation of the African Institute for Economic Development and Planning		5 879	–	5 879
Surplus for the year		523 110	–	523 110
Total changes in net assets		**1 086 236**	**(15 579)**	**1 070 657**
Net assets as at 31 December 2018	**Note 24**	**3 169 225**	**44 670**	**3 213 895**
Changes in net assets				
Actuarial losses on employee benefits liabilities	Note 24	(1 026 610)	–	(1 026 610)
Share of changes recognized by joint arrangements directly in net assets	Note 23	(19 163)	–	(19 163)
Transfers (from)/to reserves		(10 780)	10 780	–
Other adjustment[a]	Note 11	9 925	–	9 925
Surplus for the year		250 157	–	250 157
Total changes in net assets		**(796 471)**	**10 780**	**(785 691)**
Net assets as at 31 December 2019	**Note 24**	**2 372 754**	**55 450**	**2 428 204**

[a] Represents the opening balance of inventory previously not reported.

The accompanying notes to the financial statements are an integral part of these financial statements.

Operations of the United Nations as reported in volume I

IV. Statement of cash flows for the year ended 31 December 2019

(Thousands of United States dollars)

	Reference	*2019*	*2018*
Cash flows from operating activities			
Surplus for the year		**250 157**	**523 110**
Non-cash movements			
Depreciation and amortization	Notes 14, 15	181 318	192 932
Impairment of property, plant and equipment and intangibles	Notes 14, 15	56	355
Actuarial gain/(loss) on employee benefits liabilities		(1 026 610)	530 520
Consolidation of the African Institute for Economic Development and Planning		–	5 879
Adjustments to net assets		9 925	–
Share of changes in net assets recognized by joint arrangements	Note 23	(19 163)	11 148
Net loss on disposal of property, plant and equipment and inventory		3 874	4 016
Transfers, donations of assets and other additions	Notes 14, 15	(6 918)	(12 273)
Changes in assets			
(Increase)/decrease in assessed contributions receivable	Note 8	(62 888)	(63 409)
(Increase)/decrease in voluntary contributions receivable	Note 9	81 973	(373 037)
(Increase)/decrease in other receivables	Note 10	(13 916)	33 853
(Increase)/decrease in inventories	Note 11	(2 433)	5 548
(Increase)/decrease in other assets	Note 12	38 248	(81 187)
(Increase)/decrease in share of joint arrangements assets accounted for using the equity method	Note 23	17 298	(13 027)
Changes in liabilities			
Increase/(decrease) in share of joint arrangements liabilities accounted for using the equity method	Note 23	4 894	(5 813)
Increase/(decrease) in accounts payable and accrued liabilities	Note 16	104 164	10 571[a]
Increase/(decrease) in transfers payable		(2 166)	2 758[a]
Increase/(decrease) in advance receipts	Note 17	(29 866)	51 797
Increase/(decrease) in employee benefits liabilities	Note 18	1 218 285	(349 439)
Increase/(decrease) in provisions	Note 19	(32 392)	43 527
Increase/(decrease) in Tax Equalization Fund liability	Note 20	31 722	62 220
Increase/(decrease) in other liabilities	Note 21	(7 140)	(44 954)
Investment revenue presented as investing activities	Note 29	(114 373)	(69 694)
Net cash flows from operating activities		**624 049**	**465 401**

Operations of the United Nations as reported in volume I

IV. Statement of cash flows for the year ended 31 December 2019 (continued)

(Thousands of United States dollars)

	Reference	*2019*	*2018*
Cash flows from investing activities			
Pro rata share of net decrease/(increase) in cash pool	Note 29	135 518	(324 903)
Investment revenue presented as investing activities	Note 29	114 373	69 694
Acquisitions of property, plant and equipment	Notes 14, 25	(129 442)	(110 610)
Proceeds from disposal of plant and equipment		580	485
Acquisitions of intangibles	Notes 15, 25	(31 326)	(26 237)
Net cash flows from/(used in) investing activities		**89 703**	**(391 571)**
Cash flows from financing activities			
Proceeds from borrowings	Note 21	31 003	20 173
Net cash flows from/(used in) financing activities		**31 003**	**20 173**
Net increase/(decrease) in cash and cash equivalents		744 755	94 003
Cash and cash equivalents – beginning of year		366 242	272 239
Cash and cash equivalents – end of year	**Note 6**	**1 110 997**	**366 242**

[a] Restated to conform to the current year presentation.

The accompanying notes to the financial statements are an integral part of these financial statements.

Operations of the United Nations as reported in volume I

V. Statement of comparison of budget and actual amounts for the year ended 31 December 2019

(Thousands of United States dollars)

	Publicly available budget[a]						
	Original biennial	*Final biennial*	*Original annual*	*Final annual*	*Actual annual revenue and expenditure (budget basis)*	*Difference – original and final annual budget (percentage)*	*Difference – final annual budget and actual revenue/ expenditure (percentage)*
Revenue							
Assessed contributions (net of staff assessment)	4 844 595	5 301 598	2 677 319	2 689 221	2 788 352	0.4	3.7
Staff assessment	498 970	528 204	282 464	288 565	270 845	2.2	-6.1
General income	49 172	46 089	21 837	24 252	28 636	11.1	18.1
Services to the public	4 170	(2 239)	(1 644)	(594)	(2 763)	63.9	-365.2
Total revenue	**5 396 907**	**5 873 652**	**2 979 976**	**3 001 444**	**3 085 070**	**0.7**	**2.8**
Expenditure							
Regular budget							
Overall policymaking, direction and coordination	745 489	763 982	409 861	403 247	403 247	-1.6	0.0
Political affairs	1 368 737	1 567 686	828 857	833 630	833 630	0.6	0.0
International justice and law	98 104	127 414	60 940	65 199	65 199	7.0	0.0
International cooperation for development	471 029	493 491	239 465	250 685	250 685	4.7	0.0
Regional cooperation for development	570 558	584 796	311 098	296 865	296 865	-4.6	0.0
Human rights and humanitarian affairs	378 804	412 819	201 211	209 669	209 669	4.2	0.0
Global communications	177 360	181 467	90 777	89 455	89 455	-1.5	0.0
Common support services	564 729	600 259	292 902	307 486	307 486	5.0	0.0
Internal oversight	39 972	41 797	19 320	20 052	20 052	3.8	0.0
Jointly financed administrative activities and special expenses	144 241	162 382	59 946	77 911	77 911	30.0	0.0
Capital expenditure	80 616	136 513	94 251	102 470	102 470	8.7	0.0
Security and safety	233 966	248 317	117 560	124 902	124 902	6.2	0.0
Development Account	28 399	28 399	14 200	14 200	14 200	0.0	0.0
Staff assessment	494 903	524 330	259 059	265 530	265 530	2.5	0.0
Subtotal, regular budget	**5 396 907**	**5 873 652**	**2 999 447**	**3 061 301**	**3 061 301**	**2.1**	**0.0**
Other publicly available budgets							
Capital master plan		Not applicable	2 000	2 000	2 453	0.0	22.7
Total expenditure	**5 396 907**	**5 873 652**	**3 001 447**	**3 063 301**	**3 063 754**	**2.1**	**0.0**
Net total	–	–	**(21 471)**	**(61 857)**	**21 316**	–	–

[a] See note 5, paragraph 104.

The accompanying notes to the financial statements are an integral part of these financial statements.

Operations of the United Nations as reported in volume I

Notes to the financial statements

Note 1
Reporting entity

The United Nations and its activities

1. The United Nations is an international organization founded in 1945 after the Second World War. The Charter of the United Nations, which was signed on 26 June 1945 and became effective on 24 October 1945, sets out the primary objectives of the United Nations as follows:

(a) The maintenance of international peace and security;

(b) The promotion of international economic and social progress and development programmes;

(c) The universal observance of human rights;

(d) The administration of international justice and law.

2. These objectives are implemented through the major organs of the United Nations, as follows:

(a) The General Assembly focuses on a wide range of political, economic and social issues, as well as financial and administrative aspects of the Organization;

(b) The Security Council is responsible for various aspects of peacekeeping and peacebuilding, including efforts to resolve conflicts, restore democracy, promote disarmament, provide electoral assistance, facilitate post-conflict peacebuilding, engage in humanitarian activities to ensure the survival of groups deprived of basic needs, and oversee the prosecution of persons responsible for serious violations of international humanitarian law;

(c) The Economic and Social Council plays a particular role in economic and social development, including a major oversight role in the efforts of other organizations of the United Nations system to address international economic, social and health problems;

(d) The International Court of Justice has jurisdiction over disputes between Member States brought before it for advisory opinions or binding resolutions.

3. The United Nations has its headquarters in New York. It has major offices in Geneva, Vienna and Nairobi, and peacekeeping and political missions, economic commissions, tribunals, training institutes and other centres around the world.

Operations of the United Nations as reported in volume I

4. The present financial statements relate to the operations of the United Nations as reported in volume I, a separate financial reporting entity of the United Nations for the purposes of International Public Sector Accounting Standards (IPSAS)-compliant reporting. The operations of the United Nations, as reported in volume I, comprise the core operations of the Secretariat and are under the direction of the General Assembly in its role as lead organ for the financial and administrative aspects of the United Nations. The core operations of the Secretariat are funded by the regular budget, which has a unique scale of assessments and budgetary process, by trust funds established by the Assembly or the Secretary-General, which supplement the activities of the regular budget, or by special accounts or funds established to facilitate mandate implementation by the Secretary-General in his role as Chief Administrative Officer of the United Nations.

5. The reporting entity – the operations of the United Nations as reported in volume I – is regarded as an autonomous reporting entity that, owing to the uniqueness of the governance and budgetary process of each of the reporting entities of the United Nations, neither controls nor is controlled by any other United Nations financial reporting entity. Therefore, consolidation is not applicable to the operations of the United Nations and its financial statements include only its activities as reported in volume I.

6. However, given the existence of a joint venture between the United Nations and the World Trade Organization for ITC, and the significant influence of the United Nations over the operations of ITC, the United Nations has accounted for its investment in ITC using the equity method of accounting. The Organization participates in a number of jointly financed administrative activities with other United Nations system organizations. The Organization's share of those activities is also included in the financial statements using the equity method.

7. The United Nations regular budget includes an assessed portion of the budget of other United Nations reporting entities, comprising UNEP, UNODC, UN-Habitat, the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), the Office of the United Nations High Commissioner for Refugees (UNHCR) and the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women). Those amounts are accounted for as grants in volume I.

8. The financial statements comprise activities managed through various funds, as follows:

(a) **General Fund and related funds**. The General Fund relates to regular budget activities and related funds consist of the Special Account and the Working Capital Fund;

(b) **Trust funds**. Trust funds are established to record the receipt of voluntary contributions to support various activities, including emergency assistance, political, economic and social development and humanitarian and human rights activities and those that relate to security issues, international justice and law, global communications and support services;

(c) **Capital funds**. Capital funds include capital assets and construction-in-progress funds at various locations worldwide. Major projects under these funds are the refurbishment and renovation of the Palais des Nations under the strategic heritage plan of the United Nations Office at Geneva; the renovation of Africa Hall at ECA in Addis Ababa and the seismic retrofitting of the secretariat building at the Economic and Social Commission for Asia and the Pacific (ESCAP) in Bangkok;

(d) **Tax Equalization Fund**. The Tax Equalization Fund was established to equalize the net pay of all staff members, whatever their national tax obligations;

(e) **End-of-service and post-retirement benefits**. Such funds were established to account for end-of-service liabilities in respect of benefits payable to staff separating from service and comprise after-service health insurance, repatriation benefits and unused annual leave;

(f) **Other funds**. These comprise self-insurance funds; special accounts for administrative cost recoveries; common support services; conferences and conventions; special multi-year funds accounting for supplementary development activities; and other funds.

Note 2
Basis of preparation and authorization for issue

Basis of preparation

9. In accordance with the Financial Regulations and Rules of the United Nations, these financial statements have been prepared on an accrual basis in accordance with IPSAS. They have been prepared on a going-concern basis and the accounting policies have been applied consistently in their preparation and presentation. In accordance with the requirements of IPSAS, the financial statements, which present fairly the assets, liabilities, revenue and expenses of the Organization, consist of the following:

(a) Statement of financial position (statement I);

(b) Statement of financial performance (statement II);

(c) Statement of changes in net assets (statement III);

(d) Statement of cash flows (using the indirect method) (statement IV);

(e) Statement of comparison of budget and actual amounts (statement V);

(f) Notes to the financial statements comprising a summary of significant accounting policies and other explanatory notes;

(g) Comparative information in respect of all amounts presented in the financial statements indicated in (a) to (d) above and, where relevant, comparative information for narrative and descriptive information presented in the notes to these financial statements.

Going concern

10. The going-concern assertion is based on the approval by the General Assembly of the regular budget appropriations for 2020, the positive historical trend of collection of assessed and voluntary contributions over the past years and the fact that the Assembly has taken no decision to cease the operations of the United Nations.

Authorization for issue

11. These financial statements are certified by the Controller and approved by the Secretary-General. In accordance with financial regulation 6.2, the Secretary-General transmitted the financial statements as at 31 December 2019 to the Board of Auditors by 31 March 2020. In accordance with financial regulation 7.12, the reports of the Board of Auditors are to be transmitted to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions, together with the audited financial statements.

Measurement basis

12. These financial statements are prepared using the historical-cost convention, except for financial assets recorded at fair value through surplus or deficit.

Functional and presentation currency

13. The functional currency and the presentation currency of the Organization is the United States dollar. The financial statements are expressed in thousands of United States dollars unless otherwise stated.

14. Transactions in currencies other than the functional currency (foreign currencies) are translated into United States dollars at the United Nations operational rate of exchange at the date of the transaction. The United Nations operational rates

of exchange approximate the spot rates prevailing at the dates of the transactions. At year end, monetary assets and liabilities denominated in foreign currencies are translated at the United Nations operational rates of exchange. Non-monetary foreign currency-denominated items that are measured at fair value are translated at the United Nations operational rate of exchange at the date on which the fair value was determined. Non-monetary items measured at historical cost in a foreign currency are not translated at year end.

15. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in the statement of financial performance on a net basis.

Materiality and use of judgment and estimation

16. Materiality is central to the preparation and presentation of the Organization's financial statements and its materiality framework provides a systematic method in guiding accounting decisions relating to presentation, disclosure, aggregation, offsetting and retrospective versus prospective application of changes in accounting policies. In general, an item is considered material if its omission or its aggregation would have an impact on the conclusions or decisions of the users of the financial statements.

17. Preparing financial statements in accordance with IPSAS requires use of estimates, judgments and assumptions in the selection and application of accounting policies and in the reported amounts of certain assets, liabilities, revenues and expenses.

18. Accounting estimates and underlying assumptions are reviewed on an ongoing basis and revisions to estimates are recognized in the year in which the estimates are revised and in any future year affected. Significant estimates and assumptions that may result in material adjustments in future years include: actuarial measurement of employee benefits; selection of useful lives and the depreciation/amortization methods for property, plant and equipment/intangible assets; impairment of assets; classification of financial instruments; valuation of inventory; inflation and discount rates used in the calculation of the present value of provisions; and classification of contingent assets/liabilities.

Future accounting pronouncements

19. The progress and impact of the following significant future IPSAS Board accounting pronouncements on the Organization's financial statements continues to be monitored:

(a) Heritage assets: the objective of the project is to develop accounting requirements for heritage assets;

(b) Non-exchange expenses: the aim of the project is to develop a standard or standards that provide recognition and measurement requirements applicable to providers of non-exchange transactions, except for social benefits;

(c) Revenue: the scope of the project is to develop new standard-level requirements and guidance on revenue to amend or supersede that currently located in IPSAS 9: Revenue from exchange transactions, IPSAS 11: Construction contracts, and IPSAS 23: Revenue from non-exchange transactions (taxes and transfers);

(d) Leases: the objective of the project is to develop revised requirements for lease accounting covering both lessees and lessors in order to maintain alignment with the underlying International Financial Reporting Standard. The project will result in a new IPSAS that will replace IPSAS 13. The development of a new IPSAS is continuing, with the date of its issuance yet to be determined by the IPSAS Board;

(e) Public sector measurement: the objectives of the project include (i) issuing amended IPSAS standards with revised requirements for measurement at initial recognition, subsequent measurement and measurement-related disclosure; (ii) providing more detailed guidance on the implementation of replacement cost and cost of fulfilment and the circumstances under which these measurement bases will be used; and (iii) addressing transaction costs, including the specific issue of the capitalizing or expensing of borrowing costs;

(f) Infrastructure assets: the objective of the project is to research and identify issues preparers have when applying IPSAS 17 to infrastructure assets. Informed by this research, the aim is to provide additional guidance on accounting for infrastructure assets.

Recent and future requirements of the International Public Sector Accounting Standards

20. The IPSAS Board issued the following standards: IPSAS 40, issued in 2017 effective 1 January 2019; IPSAS 41, issued August 2018 effective 1 January 2022; and IPSAS 42, issued January 2019 effective 1 January 2022. The impact of these standards on the Organization's financial statements and the comparative period therein has been evaluated to be as follows.

Standard	*Anticipated impact in the year of adoption*
IPSAS 40	There is currently no impact on the Organization from the application of IPSAS 40, as to date there are no public sector combinations that fall under volume I.
IPSAS 41	IPSAS 41 substantially improves the relevance of information for financial assets and financial liabilities. It will replace IPSAS 29: Financial instruments: recognition and measurement, and improves that Standard's requirements by introducing: (a) Simplified classification and measurement requirements for financial assets; (b) A forward-looking impairment model; (c) A flexible hedge accounting model. IPSAS 41 will be effective from 1 January 2022. Its impact on the financial statements will be assessed prior to that date, and the Organization will be ready for its implementation by the time it becomes effective.
IPSAS 42	IPSAS 42 provides guidance on accounting for social benefits expenditure. It defines social benefits as cash transfers paid to specific individuals and/or households to mitigate the effect of social risk. Specific examples include State retirement benefits, disability benefits, income support and unemployment benefits. The new standard requires an entity to recognize an expense and a liability for the next social benefit payment. IPSAS 42 will be effective from 1 January 2022. Currently, there are no such social benefits applicable to the Organization.

Note 3
Significant accounting policies

Financial assets classification

21. The classification of financial assets depends primarily on the purpose for which the financial assets are acquired. The Organization classifies its financial assets in one of the categories shown below at initial recognition and re-evaluates the classification at each reporting date.

Classification	*Financial assets*
Fair value through surplus or deficit	Investments in cash pools and the United Nations Staff Mutual Insurance Society against Sickness and Accidents
Loans and receivables	Cash and cash equivalents and receivables

22. All financial assets are initially measured at fair value. The Organization initially recognizes financial assets classified as loans and receivables on the date on which they originated. All other financial assets are recognized initially on the trade date, which is the date on which the Organization becomes party to the contractual provisions of the instrument.

23. Financial assets with maturities in excess of 12 months at the reporting date are categorized as non-current assets in the financial statements. Assets denominated in foreign currencies are translated into United States dollars at the United Nations operational rates of exchange prevailing at the reporting date, with net gains or losses recognized in surplus or deficit in the statement of financial performance.

24. Financial assets at fair value through surplus or deficit are those that have been designated in this category at initial recognition, are held for trading or are acquired principally for the purpose of selling in the short term. These assets are measured at fair value at each reporting date, and any gains or losses arising from changes in the fair value are presented in the statement of financial performance in the year in which they arise.

25. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at fair value, plus transaction costs, and are subsequently reported at amortized cost calculated using the effective interest method. Interest revenue is recognized on a time proportion basis using the effective interest rate method on the respective financial asset.

26. Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. Evidence of impairment includes default or delinquency of the counterparty or permanent reduction in the value of the asset. Impairment losses are recognized in the statement of financial performance in the year in which they arise.

27. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the Organization has transferred substantially all risks and rewards of the financial asset. Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Investment in cash pools

28. The United Nations Treasury invests funds pooled from Secretariat entities and other participating entities. These pooled funds are combined in two internally managed cash pools. Participation in a cash pool implies sharing the risk and returns on investments with the other participants. Given that the funds are commingled and invested on a pool basis, each participant is exposed to the overall risk of the investment portfolio to the extent of the amount of cash invested.

29. The Organization's investments in the cash pools are included as part of cash and cash equivalents, short-term investments and long-term investments in the statement of financial position depending on the maturity period of the investment.

Cash and cash equivalents

30. Cash and cash equivalents comprise cash at bank and on hand, and short-term, highly liquid investments with a maturity of three months or less from the date of acquisition.

Receivables from non-exchange transactions: contributions receivable

31. Contributions receivable represent uncollected revenue from assessed and voluntary contributions committed to the Organization by Member States, non-member States and other donors on the basis of enforceable agreements. These non-exchange receivables are stated at nominal value, except for voluntary contributions receivable that will mature in more than 12 months, less impairment for estimated irrecoverable amounts, i.e. the allowance for doubtful receivables. If deemed material, these long-term voluntary contribution receivables are reported at a discounted value calculated using the effective interest method. Voluntary contribution receivables, trade receivables and other receivables are subject to general allowance provisions in addition to provisioning based on specific identification and review of accounts receivable. The general allowance provisions are 25 per cent for receivables outstanding longer than 12 months, 60 per cent for receivables outstanding longer than 24 months and 100 per cent for receivables outstanding longer than 36 months. For assessed contributions receivable, the allowance for doubtful receivables is calculated as follows:

(a) Receivables from Member States that are subject to Article 19 of the Charter of the United Nations on voting rights restrictions in the General Assembly because of arrears equalling or exceeding the amount of the contributions due from them for the preceding two full years and that are past due in excess of two years: 100 per cent allowance;

(b) Receivables that are past due in excess of two years for which the General Assembly has granted special treatment as regards payment (unpaid assessed contributions by China that were transferred to a special account pursuant to General Assembly resolution 36/116 A, and unpaid assessed contributions of the former Yugoslavia): 100 per cent allowance;

(c) Receivables that are past due in excess of two years for which Member States have specifically contested the balance: 100 per cent allowance. Any contested amount outstanding for less than two years will be disclosed in the notes to the financial statements;

(d) For receivables with approved payment plans, no allowance for doubtful debt will be established, but disclosures will be made in the notes to the financial statements.

Receivables from exchange transactions: other receivables

32. Other receivables include primarily amounts receivable for goods or services provided to other entities, amounts receivable for leased-out assets and receivables from staff. Receivables from other United Nations reporting entities are also included in this category. Material balances of other receivables are subject to specific review and an allowance for doubtful receivables is assessed on the basis of recoverability and ageing following the general allowance provisions applied to voluntary contributions receivable.

Other assets

33. Other assets include education grant advances and prepayments that are recorded as an asset until goods are delivered or services are rendered by the other party, at which point the expense is recognized.

Inventories

34. Inventory balances are recognized as current assets and include the categories set out below.

Categories	*Subcategories*
Held for sale or external distribution	Books and publications, stamps
Raw materials and work in progress associated with items held for sale or external distribution	Construction materials/supplies, work in progress
Strategic reserves	Fuel reserves, bottled water and rations reserves
Consumables and supplies	Material holdings of consumables and supplies, including spare parts and medicines

35. The cost of inventory in stock is determined using the average price cost basis. The cost of inventories includes the cost of purchase, plus other costs incurred in bringing the items to the destination and condition for use. Standard rates ranging from 3 per cent to 21 per cent of the cost of purchase, depending on the location of each office and mission, are used in place of actual associated costs. Inventory acquired through non-exchange transactions, i.e. donated goods, is measured at fair value at the date of acquisition. Inventories held for sale are valued at the lower of cost and net realizable value. Inventories held for distribution at no or nominal charge or for consumption in the production of goods or services are valued at the lower of cost and current replacement cost.

36. The carrying amount of inventories is expensed when inventories are sold, exchanged, distributed externally or consumed by the Organization. Net realizable value is the net amount that is expected to be realized from the sale of inventories in the ordinary course of operations. Current replacement cost is the estimated cost that would be incurred to acquire the asset.

37. Holdings of consumables and supplies for internal consumption are capitalized in the statement of financial position only when material. Such inventories are valued by the moving average methods based on records available in Umoja. Valuations are subject to impairment review, which takes into consideration the variances between moving average price valuation and current replacement cost, as well as slow-moving and obsolete items.

38. Inventories are subject to physical verification based on value and risk as assessed by management. Valuations are net of write-downs from cost to current replacement cost/net realizable value, which are recognized in the statement of financial performance.

Heritage assets

39. Heritage assets are not recognized in the financial statements, but significant heritage assets transactions are disclosed in the notes thereto.

Property, plant and equipment

40. Property, plant and equipment are classified into different groups, based on their nature, functions, useful lives and valuation methodologies, such as vehicles; communications and information technology equipment; machinery and equipment; furniture and fixtures; and real estate assets (land, buildings, leasehold improvements, infrastructure and assets under construction). Recognition of property, plant and equipment is as follows:

(a) Property, plant and equipment are capitalized when their cost per unit is greater than or equal to the threshold of $20,000, or $100,000 for leasehold improvements and self-constructed assets. A lower threshold of $5,000 applies to five commodity groups: vehicles; prefabricated buildings; satellite communication systems; generators; and network equipment;

(b) All property, plant and equipment, other than real estate assets, are stated at historical cost, less accumulated depreciation and accumulated impairment losses. Historical cost comprises the purchase price, any costs directly attributable to bringing the asset to its location and condition and the initial estimate of dismantling and site restoration costs. Standard rates ranging from 2 per cent to 22 per cent of the cost of purchase, depending on the location of each office and mission, are used in place of actual associated costs;

(c) Owing to the absence of historical cost information, buildings and infrastructure real estate assets were initially recognized at fair value using a depreciated replacement cost methodology for initial IPSAS implementation. The method involves calculating the cost per unit of measurement, for example cost per square metre, by collecting construction cost data, utilizing in-house cost data (where available) or using external cost estimators for each catalogue of real estate assets and multiplying that unit cost by the external area of the asset to obtain the gross replacement cost. Depreciation allowance deductions from the gross replacement cost to account for physical, functional and economic use of the assets have been made to determine the depreciated replacement cost of the assets. With the exception of real estate assets located in the special political missions, any subsequent real estate additions are recognized at historical cost. Effective January 2018, new constructions in the special political missions were recognized at historical cost;

(d) With regard to property, plant and equipment acquired at nil or nominal cost, including donated assets, the fair value at the date of acquisition is deemed to be the cost to acquire equivalent assets.

41. Property, plant and equipment are depreciated over their estimated useful lives using the straight-line method up to their residual value, except for land and assets under construction, which are not subject to depreciation. Given that not all components of a building have the same useful lives or the same maintenance, upgrade or replacement schedules, significant components of owned buildings are depreciated using the component approach. Depreciation begins in the month in which the Organization gains control over an asset in accordance with international

commercial terms and no depreciation is charged in the month of retirement or disposal. Given the expected pattern of usage of property, plant and equipment, the residual value is nil unless residual value is likely to be significant. The estimated useful lives of property, plant and equipment classes are set out below.

Class	*Subclass*	*Estimated useful life*
Communications and information technology equipment	Information technology equipment	4 years
	Communications and audiovisual equipment	7 years
Vehicles	Light-wheeled vehicles	6 years
	Heavy-wheeled and engineering support vehicles	12 years
	Specialized vehicles, trailers and attachments	6 to 12 years
	Marine vessels	10 years
Machinery and equipment	Light engineering and construction equipment	5 years
	Medical equipment	5 years
	Security and safety equipment	5 years
	Mine detection and clearing equipment	5 years
	Accommodation and refrigeration equipment	6 years
	Water treatment and fuel distribution equipment	7 years
	Transportation equipment	7 years
	Heavy engineering and construction equipment	12 years
	Printing and publishing equipment	20 years
Furniture and fixtures	Library reference material	3 years
	Office equipment	4 years
	Fixtures and fittings	7 years
	Furniture	10 years
Buildings	Temporary and mobile buildings	7 years
	Fixed buildings, depending on the type	25, 40 or 50 years
	Major exterior, roofing, interior and services/utilities components, where component approach is utilized	20 to 50 years
	Finance lease or donated right-to-use buildings	Shorter of term of arrangement or life of building
Infrastructure assets	Telecommunications, energy, protection, transport, waste and water management, recreation, landscaping	Up to 50 years
Leasehold improvements	Fixtures, fittings and minor construction work	Shorter of lease term or 5 years

42. In exceptional cases, the recorded useful lives for some assets converted for IPSAS reporting may be different from the useful lives prescribed at the asset subclass level as set out above (although it would remain within the range at the asset class level), because when preparing the 2014 IPSAS opening balance a thorough review of the remaining economic useful lives for these assets was made and the result had been entered in the master record of the asset. Although the total useful life entered in the asset master record looks beyond standard useful life, the remaining useful life when calculated from the date of capitalization remains within the asset class prescribed range. The useful lives applied for the Vienna International Centre buildings are based on the valuation report, which was agreed upon by the Vienna-based organizations with some components' lives extending up to 100 years.

43. Where there is a material cost value of fully depreciated assets that are still in use, adjustments to accumulated depreciation are incorporated into the financial statements to reflect a residual value of 10 per cent of historical cost based on an analysis of the classes and useful lives of the fully depreciated assets.

44. The Organization chose the cost model for measurement of property, plant and equipment after initial recognition instead of the revaluation model. Costs incurred subsequent to initial acquisition are capitalized only when it is probable that future economic benefits or service potential associated with the item will flow to the Organization and the subsequent cost exceeds the threshold for initial recognition. Repairs and maintenance are expensed in the statement of financial performance in the year in which they are incurred.

45. A gain or loss resulting from the disposal or transfer of property, plant or equipment arises when proceeds from disposal or transfer differ from its carrying amount. Those gains or losses are recognized in the statement of financial performance as part of other revenue or other expenses.

46. Impairment assessments are conducted during annual physical verification procedures and when events or changes in circumstance indicate that carrying amounts may not be recoverable. Land, buildings and infrastructure assets with a year-end, net-book-value greater than $500,000 per unit are reviewed for impairment at each reporting date. The equivalent threshold for other property, plant and equipment items (excluding assets under construction and leasehold improvements) is $25,000.

Intangible assets

47. Intangible assets are carried at cost, less accumulated amortization and accumulated impairment loss. For intangible assets acquired at nil or nominal cost, including donated assets, the fair value at the date of acquisition is deemed to be the cost of the asset. The thresholds for recognition are $100,000 per unit for internally generated intangible assets and $20,000 per unit for externally acquired intangible assets.

48. Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring into use the specific software. Development costs that are directly associated with the development of software for use by the Organization are capitalized as an intangible asset. Directly associated costs include software development employee costs, consultant costs and other applicable overhead costs. Intangible assets with finite useful lives are amortized on a straight-line method, starting from the month of acquisition or when they become operational. The useful lives of major classes of intangible assets have been estimated as shown below.

Class	*Range of estimated useful life*
Licences and rights	2–6 years (period of licence/right)
Software acquired externally	3–10 years
Software developed internally	3–10 years
Copyrights	3–10 years
Assets under development	Not amortized

49. Annual impairment reviews of intangible assets are conducted where assets are under development or have an indefinite useful life. Other intangible assets are subject to impairment review only when indicators of impairment are identified.

Financial liabilities: classification

50. Financial liabilities are classified as "other financial liabilities". They include accounts payable, transfers payable, unspent funds held for future refunds and other liabilities such as balances payable to other United Nations system reporting entities. Financial liabilities classified as other financial liabilities are initially recognized at fair value and subsequently measured at amortized cost. Financial liabilities with a duration of less than 12 months are recognized at their nominal value. The Organization re-evaluates the classification of financial liabilities at each reporting date and derecognizes financial liabilities when its contractual obligations are discharged, waived, cancelled or expired.

Financial liabilities: accounts payable and accrued liabilities

51. Accounts payable and accrued liabilities arise from the purchase of goods and services that have been received but not paid for at the reporting date. Payables are measured at their nominal value if classified as current liabilities, or at the fair value if classified as non-current liabilities.

Advance receipts and other liabilities

52. Advance receipts and other liabilities consist of payments received in advance relating to exchange transactions, liabilities for conditional funding arrangements and other deferred revenue.

Leases

The Organization as "lessee"

53. Leases of property, plant and equipment where the Organization has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the start of the lease at the lower of fair value or the present value of the minimum lease payments. The rental obligation, net of finance charges, is reported as a liability in the statement of financial position. Assets acquired under finance leases are depreciated in accordance with property, plant and equipment policies. The interest element of the lease payment is charged to the statement of financial performance as an expense over the lease term on the basis of the effective interest rate method.

54. Leases where all of the risks and rewards of ownership are not substantially transferred to the Organization are classified as operating leases. Payments made

under operating leases are charged to the statement of financial performance as an expense on a straight-line basis over the term of the lease.

The Organization as "lessor"

55. The Organization often leases out assets under operating leases. Leased-out assets are reported under property, plant and equipment, and lease revenue is recognized in the statement of financial performance over the term of the lease on a straight-line basis.

Donated right to use

56. Land, buildings, infrastructure assets, machinery and equipment are frequently granted to the Organization, primarily by host Governments at nil or nominal cost, through donated right-to-use arrangements. These arrangements are accounted for as operating leases or finance leases depending on whether an assessment of the agreement indicates that control over the underlying assets is transferred to the Organization.

57. Where a donated right-to-use arrangement is treated as an operating lease, an expense and corresponding revenue equal to the annual rental value of the asset or similar property are recognized in the financial statements. Where a donated right-to-use arrangement is treated as a finance lease (principally with a lease term of over 35 years for premises), the fair market value of the property is capitalized and depreciated over the shorter of the useful life of the property or the term of the arrangement. In addition, a liability for the same amount is recognized, which is progressively recognized as revenue over the lease term. Donated right-to-use land arrangements are accounted for as operating leases where the Organization does not have exclusive control over the land and/or title to the land is transferred under restricted deeds.

58. Where title to land is transferred to the Organization without restrictions, the land is accounted for as donated property, plant and equipment and recognized at fair value at the acquisition date.

59. The threshold for the recognition of revenue and expense is a yearly rental value equivalent of $20,000 per unit for donated right-to-use premises and $5,000 per unit for machinery and equipment.

Employee benefits

60. Employees comprise staff members, as described under Article 97 of the Charter of the United Nations, whose employment and contractual relationship with the Organization are defined by a letter of appointment subject to regulations promulgated by the General Assembly pursuant to Article 101, paragraph 1, of the Charter. Employee benefits are classified into short-term benefits, long-term benefits, post-employment benefits and termination benefits.

Short-term employee benefits

61. Short-term employee benefits are employee benefits (other than termination benefits) that are payable within 12 months after the end of the year in which the employee renders the related services. Short-term employee benefits comprise first-time employee benefits (assignment grants), regular daily/weekly/monthly benefits (wages, salaries and allowances), compensated absences (paid sick leave and maternity/paternity leave) and other short-term benefits (death grant, education grant, reimbursement of taxes and home leave travel) provided to current employees on the basis of services rendered. All such benefits that are accrued but not paid at the

reporting date are recognized as current liabilities within the statement of financial position.

Post-employment benefits

62. Post-employment benefits comprise after-service health insurance, end-of-service repatriation benefits and a pension through the United Nations Joint Staff Pension Fund.

Defined-benefit plans

63. The following benefits are accounted for as defined-benefit plans: after-service health insurance, repatriation benefits (post-employment benefits) and accumulated annual leave that is commuted to cash upon separation from the Organization (other long-term benefits). Defined-benefit plans are those where the Organization's obligation is to provide agreed benefits and therefore the Organization bears the actuarial risks. The liability for defined-benefit plans is measured at the present value of the defined-benefit obligation. Changes in the liability for defined-benefit plans, excluding actuarial gains and losses, are recognized in the statement of financial performance in the year in which they occur. The Organization has chosen to recognize changes in the liability for defined-benefit plans from actuarial gains and losses directly through the statement of changes in net assets. As at the end of the reporting year, the Organization held no plan assets as defined by IPSAS 39: Employee benefits.

64. The defined-benefit obligations are calculated by independent actuaries using the projected unit credit method. The present value of the defined-benefit obligation is determined by discounting the estimated future cash outflows using the interest rates of high-quality corporate bonds with maturity dates approximating those of the individual plans.

65. **After-service health insurance**. Worldwide coverage for medical expenses of eligible former staff members and their dependants is provided through after-service health insurance. Upon end of service, staff members and their dependants may elect to participate in a defined-benefit health insurance plan of the United Nations, provided that they have met certain eligibility requirements, including 10 years of participation in a United Nations health plan for those who were recruited after 1 July 2007 and 5 years for those recruited before that date. The after-service health insurance liability represents the present value of the share of the Organization's medical insurance costs for retirees and the post-retirement benefit accrued to date by active staff. A factor in the after-service health insurance valuation is to consider contributions from all plan participants in determining the Organization's residual liability. Contributions from retirees are deducted from the gross liability together with a portion of the contributions from active staff to arrive at the Organization's residual liability in accordance with cost-sharing ratios authorized by the General Assembly.

66. **Repatriation benefits**. Upon end of service, staff who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant, which is based upon length of service, and travel and removal expenses. A liability is recognized from when the staff member joins the Organization and is measured as the present value of the estimated liability for settling these entitlements.

67. **Annual leave**. The liabilities for annual leave represent unused accumulated leave days that are projected to be settled via a monetary payment to employees upon their separation from the Organization. The United Nations recognizes as a liability the actuarial value of the total accumulated unused leave days of all staff members,

up to a maximum of 60 days (18 days for temporary staff) as at the date of the statement of financial position. The methodology applies a last-in-first-out assumption in the determination of the annual leave liabilities, whereby staff members access current period leave entitlements before they access accumulated annual leave balances relating to prior periods. Effectively, the accumulated annual leave benefit is accessed more than 12 months after the end of the reporting period in which the benefit arose and, overall, there is an increase in the level of accumulated annual leave days, pointing to the commutation of accumulated annual leave to a cash settlement at end of service as the true liability of the Organization. The accumulated annual leave benefit reflecting the outflow of economic resources from the Organization at end of service is therefore classified under the category of other long-term benefits, while noting that the portion of the accumulated annual leave benefit that is expected to be settled via monetary payment within 12 months after the reporting date is classified as a current liability. In line with IPSAS 39: Employee benefits, other long-term benefits must be valued similarly to post-employment benefits; therefore, the United Nations values its accumulated annual leave benefit liability as a defined, post-employment benefit that is actuarially valued.

Pension plan: United Nations Joint Staff Pension Fund

68. The Organization is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined-benefit plan. As specified in article 3 (b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

69. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. The Fund and the Organization, in line with the other participating organizations in the Fund, are not in a position to identify the Organization’s proportionate share of the defined-benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, the Organization has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39: Employee benefits. The Organization’s contributions to the Fund during the financial period are recognized as expenses in the statement of financial performance.

Termination benefits

70. Termination benefits are recognized as an expense only when the Organization is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate the employment of a staff member before the normal retirement date or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Termination benefits to be settled within 12 months are reported at the amount expected to be paid. Where termination benefits fall due more than 12 months after the reporting date, they are discounted if the impact of discounting is material.

Other long-term employee benefits

71. Other long-term employee benefit obligations are benefits, or portions of benefits, that are not due to be settled within 12 months after the end of the year in

which employees provide the related service. Accumulated annual leave is an example of long-term employee benefits.

72. Appendix D to the Staff Rules of the United Nations governs compensation in the event of death, injury or illness attributable to the performance of official duties on behalf of the United Nations. These liabilities are valued by actuaries.

Provisions

73. Provisions are liabilities recognized for future expenditure of uncertain amount or timing. A provision is recognized if, as a result of a past event, the Organization has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount of the provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date. Where the effect of the time value of money is material, the provision is the present value of the amount required to settle the obligation.

74. Uncommitted balances of the appropriations at the end of the budget period and expired balances of appropriations retained from prior periods are to be reported as provisions for credits to Member States. These provisions will remain until the General Assembly decides the manner of their disposal.

Contingent liabilities

75. Any possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Organization are disclosed as contingent liabilities. Contingent liabilities are also disclosed where present obligations that arise from past events cannot be recognized because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligations, or the amount of the obligations cannot be reliably measured.

76. Provisions and contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits or service potential has become more or less probable. If it becomes more probable that such an outflow will be required, a provision is recognized in the financial statements of the year in which the change of probability occurs. Similarly, where it becomes less probable that such an outflow will be required, a contingent liability is disclosed in the notes to the financial statements.

77. An indicative threshold of $10,000 applies in recognizing provisions and/or disclosing contingent liabilities in the notes to the financial statements.

Contingent assets

78. Contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the effective control of the Organization. Contingent assets are disclosed in the notes when it is more likely than not that economic benefits will flow to the Organization.

Commitments

79. Commitments are future expenses to be incurred by the Organization with respect to open contracts which the Organization has minimal, if any, discretion to avoid in the ordinary course of operations. Commitments include capital commitments (the amount of contracts for capital expenses that are not paid or

accrued by the reporting date), contracts for the supply of goods and services that are not delivered as at the end of the reporting period, non-cancellable minimum lease payments and other non-cancellable commitments.

Non-exchange revenue

Assessed contributions

80. Appropriations are financed by contributions from Member States that are assessed according to the scale of assessments determined by the General Assembly. These assessments are subject to adjustments in respect of, among other things, supplementary appropriations for which contributions have not previously been assessed, revenue attributable to Member States, contributions resulting from the assessment of new Member States, any uncommitted balance of the appropriations at the end of the budget period, expired balances of the appropriations retained from prior periods that are due to be surrendered to Member States and credits in the Tax Equalization Fund not required to meet charges for tax reimbursements. Appropriations for the regular budget are approved and assessed for a two-year budget period; the relevant portion of assessed contributions is recognized as revenue at the beginning of each year in the biennium.

Voluntary contributions

81. Voluntary contributions and other transfers that are supported by legally enforceable agreements are recognized as revenue at the time when the agreement becomes binding, which is the point when the Organization is deemed to acquire control of the asset. However, when cash is received subject to specific conditions, recognition of revenue is deferred until those conditions have been satisfied. Revenue will be recognized up front for all conditional arrangements up to the threshold of $50,000.

82. The full amounts relating to unconditional multi-year voluntary contribution agreements, pledges and other promised donations are recognized as revenue when the arrangement becomes binding, except for the Junior Professional Officers programme and fundraising activities conducted by another party, such as contributions from the United Nations Foundation to the United Nations Fund for International Partnerships (UNFIP). In the case of the Junior Professional Officers programme, revenue is recognized in the period that the Junior Professional Officer provides service, and in the case of United Nations Foundation contributions to UNFIP, the revenue is recognized when a cash disbursement authorization is received. Unused funds returned to the donors are netted against voluntary contributions.

83. Revenue received under inter-organizational arrangements represents allocations of funding from agencies to enable the Organization to administer projects or other programmes on their behalf.

84. In-kind contributions of goods above the recognition threshold of $20,000 (per discrete contribution) are recognized as assets and revenue once it is probable that future economic benefits or service potential will flow to the Organization and the fair value of those assets can be measured reliably. For vehicles, prefabricated buildings, satellite communication systems, generators and network equipment, a lower threshold of $5,000 applies. Contributions in kind are initially measured at their fair value at the date of receipt determined by reference to observable market values or by independent appraisals. The Organization has elected not to recognize in-kind contributions of services, but to disclose in-kind contributions of service above the threshold of $20,000 per discrete contribution in the notes to the financial statements.

Exchange revenue

85. Exchange transactions are those in which the Organization sells goods or services in exchange for compensation. Revenue comprises the fair value of consideration received or receivable for the sale of goods and services. Revenue is recognized when it can be reliably measured, when the inflow of future economic benefits is probable and when specific criteria have been met, as follows:

(a) Revenue from sales of publications, books and stamps and from sales by the United Nations Gift Centre is recognized when the sale occurs and risks and rewards have been transferred;

(b) Revenue from commissions and fees for technical, procurement, training, administrative and other services rendered to Governments, United Nations entities and other partners is recognized when the service is performed;

(c) Exchange revenue also includes revenue from the rental of premises, the sale of used or surplus property, guided tours and net currency exchange gains.

86. An indirect cost recovery called a "programme support cost" is charged to trust funds as a percentage of direct costs including commitments and other "extrabudgetary" activities to ensure that the additional costs of supporting activities financed from extrabudgetary contributions are not borne by assessed funds and/or other core resources of the Secretariat. The programme support cost is eliminated for the purposes of financial statement preparation, as disclosed in note 4, Segment reporting. The funding for the programme support cost charge agreed upon with the donor is included as part of voluntary contributions.

Investment revenue

87. Investment revenue includes the Organization's share of net cash pool revenue and other interest revenue. The net cash pool revenue includes any gains and losses on the sale of investments, which are calculated as the difference between the sale proceeds and book value. Transaction costs that are directly attributable to the investment activities are netted against revenue and the net revenue is distributed proportionately to all cash pool participants on the basis of their average daily balances. The cash pool revenue also includes unrealized market gains and losses on securities, which are distributed proportionately to all participants on the basis of year-end balances.

Expenses

88. Expenses are decreases in economic benefits or service potential during the reporting year in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets and are recognized on an accrual basis when goods are delivered and services are rendered, regardless of the terms of payment.

89. Employee salaries include international, national and general temporary staff salaries, post adjustment and staff assessment. The allowances and benefits include other staff entitlements, such as pension and insurance subsidies and staff assignment, repatriation, hardship and other allowances. Non-employee compensation and allowances consist of living allowances and post-employment benefits for United Nations Volunteers, fees for consultants, contractors and ad hoc experts, allowances for International Court of Justice judges and compensation and allowances for non-military personnel.

90. Grants and other transfers include outright grants and transfers to implementing agencies, partners and other entities, as well as quick-impact projects. For outright

grants, an expense is recognized at the point at which the Organization has a binding obligation to pay.

91. Supplies and consumables relate to the cost of inventory used and expenses for supplies and consumables.

92. Other operating expenses include acquisition of goods and intangible assets under capitalization thresholds, maintenance, utilities, contracted services, training, security services, shared services, rent, insurance, allowance for bad debt and foreign exchange losses. Other expenses relate to contributions in kind, hospitality and official functions, donations and transfers of assets.

93. Programmatic activities, distinct from commercial or other arrangements where the United Nations expects to receive equal value for funds transferred, are implemented by the United Nations or executing entities or implementing partners to service a target population that typically includes Governments, non-governmental organizations and United Nations agencies. Transfers to implementing partners are fully expensed when disbursed. Binding agreements to fund executing entities or implementing partners, other than outright grants, not paid out by the end of the reporting period are shown as commitments in the notes to the financial statements.

Joint arrangements

94. A joint arrangement is an arrangement by which two or more parties have joint control through a binding arrangement which gives those parties joint control of the arrangement. This is a contractual arrangement whereby the Organization and one or more parties undertake an economic activity that is subject to joint control and can be classified under IPSAS 37: Joint arrangements, as either of the following:

(a) A joint operation whereby the parties to the arrangement have rights to assets and obligations for liabilities. The Organization will account for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IPSAS standard applicable to the particular assets, liabilities, revenues and expenses;

(b) A joint venture whereby the parties to the arrangement have rights to the net assets and/or obligations for net liabilities. The Organization will account for its interest using the equity method. The equity method initially records the interest at cost and is adjusted thereafter for the post-acquisition changes in the Organization's share of net assets. The Organization's share of the surplus or deficit of the investee is recognized in the statement of financial performance. The interest is recorded as a non-current asset unless there is a net liability position, in which case it is recorded as a non-current liability.

Multi-partner trust funds

95. Multi-partner trust fund activities are pooled resources from multiple financial partners that are allocated to multiple implementing entities to support specific national, regional or global development priorities.

96. They are assessed to determine the existence of control and whether the Organization is considered to be the principal of the programme or activity. Where control exists and the Organization is exposed to the risks and rewards associated with the multi-partner trust fund activities, such programmes or activities are considered to be the Organization's operations and are therefore reported in full in the financial statements.

97. Where joint control exists but the Organization is not considered to be the principal, the activities are considered joint operations and accounted for as described above.

Note 4
Segment reporting

98. A segment is a distinguishable activity or group of activities for which financial information is reported separately in order to evaluate an entity's past performance in achieving its objectives and to make decisions about the future allocation of resources. Inter-segment transactions are priced at cost-recovery under normal operating policies and are eliminated for the purposes of consolidated financial statements.

99. In order to provide details on how the Organization's activities are managed and financed, segment reporting information by fund group for the statement of financial position and the statement of financial performance is presented through the segments below.

Segment	*Activities in segment*
Regular budget and related funds	Activities relating to regular budget activities, the Working Capital Fund, the Special Account and the revenue producing funds.
Trust funds	Activities relating to trust funds, including emergency assistance, political, economic and social development and humanitarian and human rights activities and those that relate to security issues, international justice and law, global communications and support services.
Capital assets and construction-in-progress	Capital assets and construction-in-progress funds at various locations worldwide. Major projects under these funds are the refurbishment and renovation of the Palais des Nations under the strategic heritage plan of the United Nations Office at Geneva; renovation of Africa Hall at ECA in Addis Ababa and seismic retrofitting of the secretariat building at ESCAP in Bangkok.
Common support services	Provision of finance, human resources, information and communications technology and support services to support United Nations operations, projects and fund activities.
Long-term employee benefits	Activities relating to end-of-service and post-employment benefits comprising after-service health insurance coverage, repatriation benefits and commutation of unused annual leave days.
Insurance/workers' compensation	Accounts for activities with regard to the various health, dental and life insurance plans and compensation for general liability of the United Nations.
Other	All other funds, including the United Nations Development Account, the Tax Equalization Fund and conventions.
Eliminations	Inter-fund allocations between various segments that are eliminated upon consolidation of the funds of the Organization, i.e. the financial reporting entity. Among eliminated values are programme support costs allocated to recoup administrative costs relating to administering extrabudgetary activities. In addition, allocations from regular budget activities to subactivities in other funds are eliminated as expenses of the regular budget against revenues of other funds.

100. Segment reporting information by fund group is supplemented by segment reporting on the performance by pillar, which is presented on the basis of the pillars below.

Segment	*Activities in segment*
Political and peacekeeping affairs	Maintain international peace and security by providing assistance to resolve potentially violent disputes or conflicts peacefully, support efforts in areas of disarmament and non-proliferation, promote the peaceful uses of outer space and support the maintenance of peace and security through the deployment of peacekeeping operations.
International justice and law	Advise the principal and subsidiary organs of the United Nations and promote among Member States a better understanding of and respect for the principles and norms of international law.
Cooperation and development	Promote and support international and regional cooperation and development in the pursuit of sustained economic growth, the eradication of poverty and hunger, the development of trade, gender equality and empowerment of women, and sustainable human settlements in an urbanizing world.
Human rights and humanitarian affairs	Promote and protect the effective enjoyment by all of all human rights by making development equitable, sustainable and responsive to the needs of people and ensure the timely, coherent and coordinated response of the international community to disasters and emergencies and ensure the provision of international protection to refugees.
Global communications	Provide global communications about the ideals and work of the United Nations, interact and partner with diverse audiences and build support for peace, development and human rights for all.
Security and safety	Provide leadership, operational support and oversight of the United Nations security management system.
Crime prevention	Work with Member States to enhance their efforts to combat the intertwined problems of transnational crime, corruption and terrorism by helping to create and strengthen legislative, judicial and health systems to safeguard some of the most vulnerable persons in society.
Common support services	Consists of General Assembly and Economic and Social Council affairs and conference management to ensure effective and efficient decision-making processes of intergovernmental bodies and United Nations conferences. Also includes internal oversight functions encompassing the responsibilities of monitoring, internal audit, joint inspection and evaluation and investigations, as well as finance, human resources, information and communications technology and support services to support United Nations operations, projects and fund activities.
Other	Consists of other activities not specifically mapped to other pillar segments, such as library endowments, international partnerships, environmental affairs, special projects, etc.

Segment	*Activities in segment*
Self-insurance plans and other insurance plans	Accounts for activities concerning the various health, dental and life insurance plans, as well as compensation for general liability of the United Nations. Health and dental self-insurance were established as part of the social security scheme for United Nations staff and retirees and for the coverage of general third-party liabilities.
Eliminations	Comprises inter-fund allocations between various segments that are eliminated upon consolidation of funds of the Organization, i.e. the financial reporting entity. Among eliminated values are programme support costs allocated to recoup administrative costs relating to administering extrabudgetary activities. In addition, allocations from regular budget activities to subactivities in other funds are eliminated as expenses of the regular budget against revenues of other funds.

All funds

Statement of financial position by fund group as at 31 December 2019

(Thousands of United States dollars)

	Regular budget and related funds	*Trust funds*	*Capital assets and construction-in-progress*	*Common support services*	*Long-term employee benefits*	*Insurance/ workers' compensation*	*Other*	*Eliminations*	*Total*
Assets									
Current assets									
Cash and cash equivalents	9 812	658 023	24 552	110 894	47 616	191 405	68 695	–	1 110 997
Investments	22 015	1373 942	51 875	231 400	99 332	357 031	143 305	–	2 278 900
Assessed contributions receivable	441 280	–	10	–	–	–	–	–	441 290
Voluntary contributions receivable	–	713 181	45 335	16	–	1	5 531	(45 335)[a]	718 729
Other receivables	8 468	34 995	–	63 892	–	37 379	2	(8 512)[b]	136 224
Inventories	28 255	108	–	3 003	–	–	–	–	31 366
Other assets	50 376	314 485	412	6 739	6	10 745	1 475	–	384 238
Total current assets	**560 206**	**3 094 734**	**122 184**	**415 944**	**146 954**	**596 561**	**219 008**	**(53 847)**	**5 101 744**
Non-current assets									
Investments	4 575	427 964	15 954	72 078	30 941	176 823	44 638	–	772 973
Voluntary contributions receivable	–	740 932	–	–	–	–	–	–	740 932
Other receivables	780	–	–	–	–	–	–	–	780
Property, plant and equipment	270 082	56 111	2617 036	9 171	–	–	–	–	2 952 400
Intangible assets	6 803	12 855	119 992	2 526	–	471	–	–	142 647
Share of joint ventures accounted for using the equity method	1 585	–	1 860	–	–	–	–	–	3 445
Total non-current assets	**283 825**	**1 237 862**	**2 754 842**	**83 775**	**30 941**	**177 294**	**44 638**	**–**	**4 613 177**
Total assets	**844 031**	**4 332 596**	**2 877 026**	**498 388**	**177 895**	**773 855**	**263 646**	**(53 847)**	**9 714 921**

	Regular budget and related funds	*Trust funds*	*Capital assets and construction-in-progress*	*Common support services*	*Long-term employee benefits*	*Insurance/ workers' compensation*	*Other*	*Eliminations*	*Total*
Liabilities									
Current liabilities									
Accounts payable and accrued liabilities	370 523	75 708	21 667	26 167	–	35 715	3 598	(45 335)[a]	488 043
Advance receipts	42 776	45 742	32	2 065	–	2	3 894	–	94 511
Employee benefits liabilities	47 557	14 557	543	3 550	140 767	16 752	207	–	223 933
Provisions	25 944	199	121	–	–	99 031	–	–	125 295
Tax equalization liability	–	–	–	–	–	–	182 595	–	182 595
Other liabilities	8 134	104 000	5 899	9 428	–	–	7 800	(8 512)[b]	126 749
Total current liabilities	**494 934**	**240 206**	**28 262**	**41 210**	**140 767**	**151 500**	**198 094**	**(53 847)**	**1 241 126**
Non-current liabilities									
Transfers payable	–	592	–	–	–	–	–	–	592
Employee benefits liabilities	21 546	–	–	–	5 779 215	14 339	–	–	5 815 100
Provisions	215	20	–	–	–	–	–	–	235
Share of joint ventures accounted for using the equity method	82 132	–	–	–	–	–	–	–	82 132
Other liabilities	1 216	23 255	123 061	–	–	–	–	–	147 532
Total non-current liabilities	**105 109**	**23 867**	**123 061**	**–**	**5 779 215**	**14 339**	**–**	**–**	**6 045 591**
Total liabilities	**600 043**	**264 073**	**151 323**	**41 210**	**5 919 982**	**165 839**	**198 094**	**(53 847)**	**7 286 717**
Net of total assets and total liabilities	**243 988**	**4 068 523**	**2 725 703**	**457 178**	**(5 742 087)**	**608 016**	**65 552**	**–**	**2 428 204**
Net assets									
Accumulated surplus/(deficit)	243 988	4 068 523	2 725 703	458 509	(5 742 087)	552 566	65 552	–	2 372 754
Reserves	–	–	–	–	–	55 450	–	–	55 450
Total net assets	**243 988**	**4 068 523**	**2 725 703**	**458 509**	**(5 742 087)**	**608 016**	**65 552**	**–**	**2 428 204**

[a] Inter-segment receivables and payables of $45.335 million between regular budget and related and capital assets and construction-in-progress segments.

[b] Cross-borrowings of $8.000 million between regular budget and common support services and $0.512 million between trust funds and common support services segments.

All funds

Statement of financial position by fund group as at 31 December 2018

(Thousands of United States dollars)

	Regular budget and related funds	*Trust funds*	*Capital assets and construction-in-progress*	*Common support services*	*Long-term employee benefits*	*Insurance/ workers' compensation*	*Other*	*Eliminations*	*Total*
Assets									
Current assets									
Cash and cash equivalents	4 902	206 114	8 522	34 284	12 600	80 825	18 995	–	366 242
Investments	26 884	1751 480	73 082	293 954	108 049	497 177	162 891	–	2 913 517
Assessed contributions receivable	378 392	–	10	–	–	–	–	–	378 402
Voluntary contributions receivable	206	658 670	–	26	–	–	2 724	–	661 626
Other receivables	12 316[a]	15 843	–	73 592	–	26 068	28 803	(34 339)[b]	122 283
Inventories	28 780	–	–	153	–	–	–	–	28 933
Other assets	42 849	352 577	389	3 876	7	22 188	600	–	422 486
Total current assets	**494 329**	**2 984 684**	**82 003**	**405 885**	**120 656**	**626 258**	**214 013**	**(34 339)**	**4 893 489**
Non-current assets									
Investments	2 082	135 662	5 661	22 768	8 369	86 715	12 617	–	273 874
Voluntary contributions receivable	–	880 008	–	–	–	–	–	–	880 008
Other receivables	805[a]	–	–	–	–	–	–	–	805
Property, plant and equipment	279 347	41 457	2654 179	7 683	–	–	–	–	2 982 666
Intangible assets	8 501	13 955	104 125	3 655	–	287	–	–	130 523
Share of joint ventures accounted for using the equity method	19 268	–	1 475	–	–	–	–	–	20 743
Total non-current assets	**310 003**	**1 071 082**	**2 765 440**	**34 106**	**8 369**	**87 002**	**12 617**	**–**	**4 288 619**
Total assets	**804 332**	**4 055 766**	**2 847 443**	**439 991**	**129 025**	**713 260**	**226 630**	**(34 339)**	**9 182 108**

	Regular budget and related funds	Trust funds	Capital assets and construction-in-progress	Common support services	Long-term employee benefits	Insurance/ workers' compensation	Other	Eliminations	Total
Liabilities									
Current liabilities									
Accounts payable and accrued liabilities	263 495	64 412[a]	23 103	26 366	–	4 085	2 418	–	383 879
Advance receipts	71 164	46 728	38	1 819	–	1 026	3 602	–	124 377
Employee benefits liabilities	43 572	11 748	489	4 347	144 297	21 234	152	–	225 839
Provisions	55 357	197	–	–	–	102 107	–	–	157 661
Tax equalization liability	–	–	–	–	–	–	150 873	–	150 873
Other liabilities	13 536	94 984	3 657	180	–	–	6 499	(8 000)[b]	110 856
Total current liabilities	**447 124**	**218 069**	**27 287**	**32 712**	**144 297**	**128 452**	**163 544**	**(8 000)**	**1 153 485**
Non-current liabilities									
Transfers payable	–	2 758[a]	–	–	–	–	–	–	2 758
Employee benefits liabilities	18 576	–	–	–	4564 604	11 729	–	–	4 594 909
Provisions	261	–	–	–	–	–	–	–	261
Share of joint ventures accounted for using the equity method	77 238	–	–	–	–	–	–	–	77 238
Other liabilities	26 546	42 809	96 514	32	–	–	–	(26 339)[b]	139 562
Total non-current liabilities	**122 621**	**45 567**	**96 514**	**32**	**4 564 604**	**11 729**	**–**	**(26 339)**	**4 814 728**
Total liabilities	**569 745**	**263 636**	**123 801**	**32 744**	**4 708 901**	**140 181**	**163 544**	**(34 339)**	**5 968 213**
Net of total assets and total liabilities	**234 587**	**3 792 130**	**2 723 642**	**407 247**	**(4 579 876)**	**573 079**	**63 086**	**–**	**3 213 895**
Net assets									
Accumulated surplus/(deficit)	234 587	3 792 130	2 723 642	407 247	(4 579 876)	528 409	63 086	–	3 169 225
Reserves	–	–	–	–	–	44 670	–	–	44 670
Total net assets	**234 587**	**3 792 130**	**2 723 642**	**407 247**	**(4 579 876)**	**573 079**	**63 086**	**–**	**3 213 895**

[a] Restated to conform to the current year presentation.
[b] Cross-borrowings of $26.339 million between regular budget and other funds group and $8.000 million between regular budget and common support services.

Statement of financial performance by fund group for the period ended 31 December 2019

(Thousands of United States dollars)

	Regular budget and related funds	*Trust funds*	*Capital assets and construction-in-progress*	*Common support services*	*Long-term employee benefits*	*Insurance/ workers' compensation*	*Other*	*Eliminations*	*Total*
Revenue									
Assessed contributions	3 010 252	–	–	–	–	–	–	–	3 010 252
Voluntary contributions	49 732	2 949 126	17 581	3 991	–	–	6 340	–	3 026 770
Contributions for self-insurance funds	–	–	–	–	24	601 032	–	(204 351)[a]	396 705
Other revenue	43 873	5 374	21 299	364 186	46 046	4 315	5 983	(269 590)[b]	221 486
Other transfers and allocations	–	112 543	116 892	3 310	–	–	14 199	(119 972)[c]	126 972
Investment revenue	10 686	62 210	2 356	9 084	3 935	24 295	1 807	–	114 373
Total revenue	**3 114 543**	**3 129 253**	**158 128**	**380 571**	**50 005**	**629 642**	**28 329**	**(593 913)**	**6 896 558**
Expenses									
Employee salaries, allowances and benefits	2 017 210	556 476	4 288	154 950	191 393	20 995	2 000	(242 487)	2 704 825
Non-employee compensation/allowances	97 782	91 633	53	6 959	–	–	5 741	(3 341)	198 827
Grants and other transfers	291 833	1 791 866	–	11 253	–	–	3 697	(122 212)	1 976 437
Supplies and consumables	31 761	14 383	478	4 465	–	12	6	(173)	50 932
Depreciation and amortization	37 764	8 483	132 665	2 378	–	28	–	–	181 318
Impairment	52	–	4	–	–	–	–	–	56
Travel	65 835	98 247	91	5 346	–	5	6 660	(2 844)	173 340
Other operating expenses	463 289	291 141	17 521	146 133	(54)	24 371	7 747	(222 831)	727 317
Self-insurance claims and expenses	1 404	–	–	–	–	549 840	–	(25)	551 219
Finance costs	–	–	1 352	–	–	–	–	–	1 352
Contributions to and share of deficit of joint ventures on an equity basis	81 130	–	(310)	–	–	(2 798)	–	–	78 022
Other expenses	1 050	631	–	1 063	–	–	12	–	2 756
Total expenses	**3 089 110**	**2 852 860**	**156 142**	**332 547**	**191 339**	**592 453**	**25 863**	**(593 913)**	**6 646 401**
Surplus/(deficit) for the year	**25 433**	**276 393**	**1 986**	**48 024**	**(141 334)**	**37 189**	**2 466**	**–**	**250 157**
Capital expenditure	**33 128**	**21 473**	**76 911**	**2 927**	**–**	**–**	**–**	**–**	**134 439**

(Footnotes on following page)

(Footnotes to the table entitled “Statement of financial performance by fund group for the period ended 31 December 2019”)

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[a] Contributions for health insurance of $204.351 million from the self-insurance plans and other insurance plans segment against employee salaries of $203.998 million and non-employee compensation of $0.353 million.

[b] Internal cost recovery of $206.059 million from the common support services segment; internal transfer of property, plant and equipment of $26.075 million ($21.266 million from the capital assets and construction-in-progress segment, $3.348 million from the trust funds segment and $1.461 million from the cooperation and development segment); funding of after-service health insurance and repatriation grant of $35.555 million from the long-term employee benefits segment; and travel fee allocation of $1.901 million from the other segment. Corresponding expenses were employee salaries, allowances and benefits, non-employee compensation and allowances, grants and other transfers, supplies and consumables, travel expenses and other operating expenses.

[c] Internal cross-funding of $119.972 million ($26.264 million from the trust funds segment, $0.853 million from the common support services segment, $78.656 million from the capital assets and construction-in-progress segment and $14.199 million from the other segment).

Statement of financial performance by fund group for the period ended 31 December 2018

(Thousands of United States dollars)

	Regular budget and related funds	*Trust funds*	*Capital assets and construction-in-progress*	*Common support services*	*Long-term employee benefits*	*Insurance/ workers' compensation*	*Other*	*Eliminations*	*Total*
Revenue									
Assessed contributions	2 788 097	–	–	–	–	–	–	–	2 788 097
Voluntary contributions	46 217	3 249 894	21 143	4 733	–	–	4 319	–	3 326 306
Contributions for self-insurance funds	–	–	–	–	–	584 847	–	(215 311)[a]	369 536
Other revenue	42 516	1 496	12 205	340 426	23 853	7 124	3 309	(230 774)[b]	200 155
Other transfers and allocations	4 144	147 539	47 553	2 206	–	–	14 199	(179 003)[c]	36 638
Investment revenue	7 193	41 780	2 053	4 757	2 346	9 822	1 743	–	69 694
Total revenue	**2 888 167**	**3 440 709**	**82 954**	**352 122**	**26 199**	**601 793**	**23 570**	**(625 088)**	**6 790 426**
Expenses									
Employee salaries, allowances and benefits	1 992 000	427 165	5 028	142 580	191 482	19 673	1 442	(236 216)	2 543 154
Non-employee compensation/allowances	84 992	56 877	75	4 337	–	–	5 168	(333)	151 116
Grants and other transfers	225 789	1 752 176	–	18 784	–	–	3 030	(180 552)	1 819 227
Supplies and consumables	32 698	14 207	55	4 586	–	16	2	(197)	51 367
Depreciation and amortization	39 846	5 799	144 778	2 452	–	37	20	–	192 932
Impairment	–	–	349	–	–	–	6	–	355
Travel	71 614	82 340	115	4 070	–	7	5 767	(2 173)	161 740
Other operating expenses	470 062	272 234	33 025	131 898	(14)	22 218	8 262	(205 617)	732 068
Self-insurance claims and expenses	1 429	–	–	3	–	543 341	–	–	544 773
Contributions to and share of deficit of joint ventures on an equity basis	69 454	–	(111)	–	–	–	–	–	69 343
Other expenses	841	224	–	165	–	–	11	–	1 241
Total expenses	**2 988 725**	**2 611 022**	**183 314**	**308 875**	**191 468**	**585 292**	**23 708**	**(625 088)**	**6 267 316**
Surplus/(deficit) for the year	**(100 558)**	**829 687**	**(100 360)**	**43 247**	**(165 269)**	**16 501**	**(138)**	**–**	**523 110**
Capital expenditure	**34 337**	**16 730**	**55 518**	**4 627**	**–**	**–**	**–**	**–**	**111 212**

(Footnotes on following page)

(Footnotes to the table entitled “Statement of financial performance by fund group for the period ended 31 December 2018”)

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[a] Contributions for health insurance of $215.311 million from the insurance/workers’ compensation segment against employee salaries of $214.991 million and non-employee compensation of $0.320 million.

[b] Internal cost recovery of $192.159 million ($191.181 million from the common support services segment and $0.978 million from the regular budget and related funds segment); internal transfer of property, plant and equipment of $16.412 million ($12.237 million from the capital assets and construction-in-progress segment, $3.256 million from the regular budget and related funds segment and $0.919 million from the trust funds segment); funding of after-service health insurance and repatriation grant of $20.338 million from the long-term employee benefits segment; and travel fee allocation of $1.865 million from the other segment. Corresponding expenses were employee salaries, allowances and benefits, non-employee compensation and allowances, travel expenses, other operating expenses and other expenses.

[c] Internal cross-funding of $70.137 million ($4.064 million from the regular budget and related funds segment, $17.419 million from the trust funds segment, $0.631 million from the common support services segment, $33.824 million from the capital assets and construction-in-progress segment and $14.199 million from the other segment) and internal cost recovery of $108.866 million from the trust funds segment.

Statement of financial performance by pillar for the period ended 31 December 2019

(Thousands of United States dollars)

	Political and peacekeeping affairs	*International justice and law*	*Cooperation and development*	*Human rights and humanitarian affairs*	*Global communications*	*Security and safety*	*Crime prevention*	*Common support services*	*Other*	*Self-insurance plans and other insurance plans*	*Eliminations*	*Total*
Revenue												
Assessed contributions	905 788	64 230	662 041	218 199	100 936	139 770	30 501	888 787	–	–	–	3 010 252
Voluntary contributions	265 919	6 114	215 285	2 322 587	4 869	–	6 633	147 230	58 133	–	–	3 026 770
Contributions for self-insurance funds	–	–	–	–	–	–	–	–	–	601 056	(204 351)[a]	396 705
Other revenue	5 304	11	3 749	4 881	1	1 380	–	425 338	51	50 361	(269 590)[b]	221 486
Other transfers and allocations	(1 010)	436	30 249	17 567	236	–	2	195 596	3 868	–	(119 972)[c]	126 972
Investment revenue	12 251	318	15 825	35 586	322	–	2 340	17 925	1 576	28 230	–	114 373
Total revenue	**1 188 252**	**71 109**	**927 149**	**2 598 820**	**106 364**	**141 150**	**39 476**	**1 674 876**	**63 628**	**679 647**	**(593 913)**	**6 896 558**
Expenses												
Employee salaries, allowances and benefits	520 569	42 002	601 312	444 973	94 324	102 086	12 464	904 928	12 266	212 388	(242 487)	2 704 825
Non-employee compensation/ allowances	73 436	7 686	50 280	22 201	652	181	1 841	43 203	2 688	–	(3 341)	198 827
Grants and other transfers	184 559	9 401	105 732	1 625 492	–	8 870	37 884	109 296	17 415	–	(122 212)	1 976 437
Supplies and consumables	33 761	65	1 941	3 547	209	503	23	10 964	80	12	(173)	50 932
Depreciation and amortization	26 923	129	1 917	6 048	165	363	1 150	144 349	246	28	–	181 318
Impairment	4	–	–	–	–	52	–	–	–	–	–	56
Travel	34 337	3 711	54 329	51 330	871	2 040	4 018	22 953	2 590	5	(2 844)	173 340
Other operating expenses	272 402	7 611	78 908	156 084	10 732	2 923	6 559	366 098	24 515	24 316	(222 831)	727 317
Self-insurance claims and expenses	–	–	1 403	–	–	–	–	–	–	549 841	(25)	551 219
Finance costs	–	–	–	–	–	–	–	1 352	–	–	–	1 352
Contributions to and share of deficit of joint ventures on an equity basis	87	–	21 231	–	–	26 330	–	33 172	–	(2 798)	–	78 022

	Political and peacekeeping affairs	*International justice and law*	*Cooperation and development*	*Human rights and humanitarian affairs*	*Global communications*	*Security and safety*	*Crime prevention*	*Common support services*	*Other*	*Self-insurance plans and other insurance plans*	*Eliminations*	*Total*
Other expenses	381	24	376	69	20	–	–	1 771	115	–	–	2 756
Total expenses	**1 146 459**	**70 629**	**917 429**	**2 309 744**	**106 973**	**143 348**	**63 939**	**1 638 086**	**59 915**	**783 792**	**(593 913)**	**6 646 401**
Surplus/(deficit) for the year	**41 793**	**480**	**9 720**	**289 076**	**(609)**	**(2 198)**	**(24 463)**	**36 790**	**3 713**	**(104 145)**	**–**	**250 157**
Capital expenditure	**30 025**	**46**	**892**	**6 028**	**40**	**566**	**–**	**92 766**	**4 076**	**–**	**–**	**134 439**

[a] Contributions for health insurance of $204.351 million from the self-insurance plans and other insurance plans segment against employee salaries of $203.998 million and non-employee compensation of $0.353 million.

[b] Internal cost recovery of $206.059 million from the common support services segment; internal transfer of property, plant and equipment of $26.075 million ($21.303 million from the common support services segment, $3.348 million from the human rights and humanitarian affairs segment and $1.376 million from the security and safety segment and $0.048 million from the cooperation and development segment); funding of long-term employee benefits (after-service health insurance and repatriation grant) of $35.555 million from the self-insurance plans and other insurance plans segment; and travel fee allocation of $1.901 million from the common support services segment. Corresponding expenses were employee salaries, allowances and benefits, non-employee compensation and allowances, grants and other transfers, supplies and consumables, travel expenses and other operating expenses.

[c] Internal cross-funding of $119.972 million ($0.487 million from the political and peacekeeping affairs segment, $23.263 million from the cooperation and development segment, $2.166 million from the human rights and humanitarian affairs segment, $0.191 million from the global communications segment, $93.081 million from the common support services segment and $0.784 million from the other segment).

Statement of financial performance by pillar for the period ended 31 December 2018

(Thousands of United States dollars)

	Political and peacekeeping affairs	*International justice and law*	*Cooperation and development*	*Human rights and humanitarian affairs*	*Global communications*	*Security and safety*	*Crime prevention*	*Common support services*	*Other*	*Self-insurance plans and other insurance plans*	*Eliminations*	*Total*
Revenue												
Assessed contributions	764 282	62 489	618 985	198 932	92 434	124 529	30 275	896 171	–	–	–	2 788 097
Voluntary contributions	334 617	5 528	199 056	2 536 862	12 941	–	94 445	109 455	33 402	–	–	3 326 306
Contributions for self-insurance funds	–	–	–	–	–	–	–	–	–	584 847	(215 311)[a]	369 536
Other revenue	3 734	7	2 308	1 303	59	45	–	392 425	71	30 977	(230 774)[b]	200 155
Other transfers and allocations	2 852	162	38 231	117 952	214	–	307	53 821	2 102	–	(179 003)[c]	36 638
Investment revenue	8 853	201	13 932	23 779	239	–	1 781	7 627	1 114	12 168	–	69 694
Total revenue	**1 114 338**	**68 387**	**872 512**	**2 878 828**	**105 887**	**124 574**	**126 808**	**1 459 499**	**36 689**	**627 992**	**(625 088)**	**6 790 426**
Expenses												
Employee salaries, allowances and benefits	552 805	43 706	606 986	418 415	93 426	102 078	7 003	734 430	9 366	211 155	(236 216)	2 543 154
Non-employee compensation/ allowances	61 684	7 489	46 385	20 217	810	171	1 752	11 805	1 136	–	(333)	151 116
Grants and other transfers	180 280	10 943	99 570	1597 774	1	3 615	36 711	56 331	14 554	–	(180 552)	1 819 227
Supplies and consumables	34 641	195	2 842	3 869	340	945	19	8 636	61	16	(197)	51 367
Depreciation and amortization	27 139	80	2 152	4 798	165	262	427	157 792	80	37	–	192 932
Impairment	–	–	6	–	–	–	–	349	–	–	–	355
Travel	37 855	4 180	52 566	46 596	959	2 120	2 460	14 683	2 487	7	(2 173)	161 740
Other operating expenses	263 489	6 738	79 518	174 092	11 384	3 303	4 109	366 465	6 381	22 206	(205 617)	732 068
Self-insurance claims and expenses	–	–	1 425	–	–	–	–	–	–	543 348	–	544 773
Contributions to and share of deficit of joint ventures on an equity basis	67	–	14 226	–	–	26 325	–	28 725	–	–	–	69 343

	Political and peacekeeping affairs	*International justice and law*	*Cooperation and development*	*Human rights and humanitarian affairs*	*Global communications*	*Security and safety*	*Crime prevention*	*Common support services*	*Other*	*Self-insurance plans and other insurance plans*	*Eliminations*	*Total*
Other expenses	185	30	426	174	31	3	10	358	24	–	–	1 241
Total expenses	**1 158 145**	**73 361**	**906 102**	**2 265 935**	**107 116**	**138 822**	**52 491**	**1 379 574**	**34 089**	**776 769**	**(625 088)**	**6 267 316**
Surplus/(deficit) for the year	**(43 807)**	**(4 974)**	**(33 590)**	**612 893**	**(1 229)**	**(14 248)**	**74 317**	**79 925**	**2 600**	**(148 777)**	**–**	**523 110**
Capital expenditure	**25 663**	**115**	**3 207**	**6 523**	**75**	**197**	**–**	**74 001**	**1 431**	**–**	**–**	**111 212**

[a] Contributions for health insurance of $215.311 million from the self-insurance plans and other insurance plans segment against employee salaries of $214.991 million and non-employee compensation of $0.320 million.

[b] Internal cost recovery of $192.159 million from the common support services segment; internal transfer of property, plant and equipment of $16.412 million ($15.387 million from the common support services segment, $0.919 million from the human rights and humanitarian affairs segment and $0.106 million from the cooperation and development segment); funding of long-term employee benefits (after-service health insurance and repatriation grant) of $20.338 million from the self-insurance plans and other insurance plans segment; and travel fee allocation of $1.865 million from the common support services segment. Corresponding expenses were employee salaries, allowances and benefits, non-employee compensation and allowances, travel expenses, other operating expenses and other expenses.

[c] Internal cross-funding of $70.137 million ($0.622 million from the political and peacekeeping affairs segment, $27.763 million from the cooperation and development segment, $1.641 million from the human rights and humanitarian affairs segment, $0.192 million from the global communications segment, $38.519 million from the common support services segment and $1.400 million from the other segment) and internal cost recovery of $108.866 million ($102.743 million from the human rights and humanitarian affairs segment and $6.123 million from the political and peacekeeping affairs segment).

Note 5
Comparison to budget

101. The statement of comparison of budget and actual amounts (statement V) presents the difference between budget amounts, which are prepared on a modified cash basis, and actual revenue and expenditure on a comparable basis.

102. Approved budgets are those that permit expenses to be incurred, including income estimates, and are approved by the General Assembly. For IPSAS reporting purposes, approved budgets are the appropriations and income estimates authorized by the Assembly in its resolutions.

103. The original budget for the biennium 2018–2019 is the budget approved by the General Assembly for the biennium on 24 December 2017 in resolutions 72/263 A to C. The final budget represents revised amounts authorized for the biennium 2018–2019, after incorporating all changes arising from Assembly resolutions 72/262 C, 72/266 B, 73/280 A to C and 74/250 A and B, and also incorporates amounts transferred between sections of the budget with the concurrence of the Advisory Committee on Administrative and Budgetary Questions. The original 2019 annual budget is the portion of the initial appropriations and income estimates allocated to 2019, as indicated by the programme managers who have the authority and responsibility to do so in the budget process. The final 2019 annual budget reflects the original budget for 2019 plus any adjustments reflected in the revised appropriations and income estimates approved by the Assembly for the biennium 2018–2019. Actual revenue and expenditure amounts are all commitments and actuals incurred in the period on the budget basis.

104. Explanations for material differences between the original and final budget amounts, as well as material differences between the final budget amounts and actual revenue and expenditure on a modified cash basis, which are deemed to be those greater than 5 per cent, are considered below.

Budget part	*Material differences greater than 5 per cent*
Revenue:	
Staff assessment	**Revenue 6.1 per cent less than final budget**
	The difference is attributable primarily to higher income estimates for staff assessment compared with actuals.
General income	**Final budget 11.1 per cent more than original budget**
	The difference is attributable primarily to higher-than-anticipated revenue from bank interest presented in the second performance report of the Secretary-General on the programme budget for the biennium 2018–2019 (A/74/570), which was subsequently approved by the General Assembly in its resolution 74/250.
	Revenue 18.1 per cent more than final budget
	The difference is attributable primarily to higher-than-anticipated revenue from bank interest.

Budget part	*Material differences greater than 5 per cent*
Services to the public	**Final budget 63.9 per cent more than original budget** The difference is attributable primarily to higher estimated net revenue from bookings of guided tours at Headquarters presented in the second performance report of the Secretary-General on the programme budget for the biennium 2018–2019 (A/74/570), which was subsequently approved by the General Assembly in its resolution 74/250. **Revenue 365.2 per cent less than final budget** The difference is attributable primarily to higher actual expenditure.
Expenditure:	
International justice and law	**Final budget 7.0 per cent more than original budget** The difference is attributable primarily to additional requirements presented in the second performance report of the Secretary-General on the programme budget for the biennium 2018–2019 (A/74/570) in support of the subventions to the Residual Special Courts for Sierra Leone and the Extraordinary Chambers in the Courts of Cambodia, which was subsequently approved by the General Assembly in its resolution 74/250.
Common support services	**Final budget 5.0 per cent more than original budget** The difference is attributable primarily to additional requirements presented in the second performance report of the Secretary-General on the programme budget for the biennium 2018–2019 (A/74/570), which was subsequently approved by the General Assembly in its resolution 74/250.
Jointly financed administrative activities and special expenses	**Final budget 30.0 per cent more than original budget** The difference is attributable primarily to additional requirements for after-service health insurance presented in the second performance report of the Secretary-General on the programme budget for the biennium 2018–2019 (A/74/570), which was subsequently approved by the General Assembly in its resolution 74/250.
Capital expenditure	**Final budget 8.7 per cent more than original budget** The difference is attributable primarily to additional requirements for construction presented in the second performance report of the Secretary-General on the programme budget for the biennium 2018–2019 (A/74/570), which was subsequently approved by the General Assembly in its resolution 74/250.
Security and safety	**Final budget 6.2 per cent more than original budget** The difference is attributable primarily to additional requirements for safety and security presented in the second performance report of the Secretary-General on the programme budget for the biennium 2018–2019 (A/74/570), which was subsequently approved by the General Assembly in its resolution 74/250.
Capital master plan	**Expenditure 22.7 per cent more than final budget** The difference is attributable primarily to ongoing litigation.

Reconciliation between actual amounts on a comparable basis and the statement of cash flows

105. The reconciliation between the actual amounts on a comparable basis in the statement of comparison of budget and actual amounts and the actual amounts in the statement of cash flows is reflected below.

Reconciliation of actual amounts on a comparable basis to statement of cash flows, 2019

(Thousands of United States dollars)

	Operating	*Investing*	*Financing*	*Total*
Actual amounts on a comparable basis (statement V)	**(3 063 754)**	**–**	**–**	**(3 063 754)**
Basis differences	360 130	(160 188)	–	199 942
Entity differences	(3 568 885)	–	31 003	(3 537 882)
Presentation differences	6 896 558	249 891	–	7 146 449
Actual amounts in statement of cash flows (statement IV)	**624 049**	**89 703**	**31 003**	**744 755**

Reconciliation of actual amounts on a comparable basis to statement of cash flows, 2018

(Thousands of United States dollars)

	Operating	*Investing*	*Financing*	*Total*
Actual amounts on a comparable basis (statement V)	**(2 815 270)**	**–**	**–**	**(2 815 270)**
Basis differences	(217 216)	(136 362)	–	(353 578)
Entity differences	(3 292 539)	–	20 173	(3 272 366)
Presentation differences	6 790 426	(255 209)	–	6 535 217
Actual amounts in statement of cash flows (statement IV)	**465 401**	**(391 571)**	**20 173**	**94 003**

106. Basis differences capture the differences resulting from preparing the budget on a modified cash basis. To reconcile the budgetary results to the statement of cash flows, the modified-cash elements such as unliquidated commitments against the budget which do not represent a cash flow must be eliminated. Similarly, IPSAS-specific differences, such as payments against prior-year commitments and investing cash flows relating to acquisition of property, plant and equipment or intangibles are included as basis differences to reconcile to the statement of cash flows.

107. Presentation differences are differences in the format and classification schemes in the statement of cash flows and the statement of comparison of budget and actual amounts, which include the latter not presenting revenue and the net changes in cash pool balances. Other presentation differences are that the amounts included in the statement of comparison of budget and actual amounts are not segregated into operating, investing and financing activities.

108. Entity differences arise when the actual amounts on the budget basis omit programmes or fund groups that are part of the Organization, as reported in the statement of cash flows, or vice versa. Those differences represent cash flows to or from fund groups other than the regular budget and the capital master plan funds that are reported in the financial statements. The financial statements include results for all the Organization’s fund groups.

109. Timing differences occur when the budget period differs from the reporting period reflected in the financial statements. There are no timing differences as the budget reflects the 2019 proportion of the biennium.

110. The table below presents the difference between biennial budget amounts, which is prepared on a modified cash basis, and actual revenue and expenditure on a comparable basis.

(Thousands of United States dollars)

	Publicly available budget		*Actual biennial revenue and expenditure (budget basis)*	*Difference (percentage)*
	Original biennial	*Final biennial*		
Revenue				
Assessed contributions (net of staff assessment)	4 844 595	5 301 598	5 219 156	-1.6
Staff assessment	498 970	528 204	528 266	0.0
General income	49 172	46 089	57 853	25.5
Services to the public	4 170	(2 239)	(1 716)	23.4
Total revenue	**5 396 907**	**5 873 652**	**5 803 559**	**-1.2**
Expenditure				
Regular budget				
Overall policymaking, direction and coordination	745 489	763 982	772 161	1.1
Political affairs	1 368 737	1 567 686	1 562 975	-0.3
International justice and law	98 104	127 414	126 877	-0.4
International cooperation for development	471 029	493 491	494 062	0.1
Regional cooperation for development	570 558	584 796	575 012	-1.7
Human rights and humanitarian affairs	378 804	412 819	413 122	0.1
Global communications	177 360	181 467	180 855	-0.3
Common support services	564 729	600 259	603 520	0.5
Internal oversight	39 972	41 797	41 481	-0.8
Jointly financed administrative activities and special expenses	144 241	162 382	162 226	-0.1
Capital expenditure	80 616	136 513	138 276	1.3
Security and safety	233 966	248 317	250 254	0.8
Development Account	28 399	28 399	28 399	0.0
Staff assessment	494 903	524 330	524 432	0.0
Subtotal, regular budget	**5 396 907**	**5 873 652**	**5 873 652**	**0.0**
Other publicly available budgets				
Capital master plan	–	Not applicable	5 372	–
Total expenditure	**5 396 907**	**5 873 652**	**5 879 024**	**0.1**
Net total	**–**	**–**	**(75 465)**	**–**

Note 6
Cash and cash equivalents

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Main pool (notes 29 and 30)[a]	1 080 506	339 296
Euro pool (notes 29 and 30)	5 580	5 706
United Nations Staff Mutual Insurance Society against Sickness and Accidents investments (note 29)	22 148	7 254
Other cash and cash equivalents	2 763	13 986
Total	**1 110 997**	**366 242**

[a] Includes non-convertible Syrian pounds equivalent to $0.023 million (2018: -$0.010 million).

111. Cash and cash equivalents include trust fund moneys totalling $658.0 million (2018: $206.1 million) held for the specific purposes of the respective trust funds. Similarly, an amount of $190.7 million (2018: 80.8 million) in insurance funds and $47.6 million in long-term employee benefits funds (2018: $12.6 million) are restricted to the specific purposes.

Note 7
Investments

31 December 2019

(Thousands of United States dollars)

	Trust fund investments	*Insurance/ workers' compensation funds*	*Long-term employee benefits*	*Other investments*	*Total 31 December 2019*
Current					
Main pool (notes 29 and 30)	1 373 942	340 266	99 332	440 608	2 254 148
United Nations Staff Mutual Insurance Society against Sickness and Accidents investments (note 29)	–	16 765	–	–	16 765
Derivative instruments: currency forwards	–	–	–	7 987	7 987
Subtotal	**1 373 942**	**357 031**	**99 332**	**448 595**	**2 278 900**
Non-current					
Main pool (notes 29 and 30)	427 965	105 988	30 941	137 244	702 138
United Nations Staff Mutual Insurance Society against Sickness and Accidents investments (note 29)	–	70 835	–	–	70 835
Subtotal	**427 965**	**176 823**	**30 941**	**137 244**	**772 973**
Total	**1 801 907**	**533 854**	**130 273**	**585 839**	**3 051 873**

31 December 2018

(Thousands of United States dollars)

	Trust fund investments	*Insurance/ workers' compensation funds*	*Long-term employee benefits*	*Other investments*	*Total 31 December 2018*
Current					
Main pool (notes 29 and 30)	1 751 480	493 230	108 049	556 811	2 909 570
United Nations Staff Mutual Insurance Society against Sickness and Accidents investments (note 29)	–	3 947	–	–	3 947
Derivative instruments: currency forwards	–	–	–	–	–
Subtotal	**1 751 480**	**497 177**	**108 049**	**556 811**	**2 913 517**
Non-current					
Main pool (notes 29 and 30)	135 662	38 203	8 369	43 128	225 362
United Nations Staff Mutual Insurance Society against Sickness and Accidents investments (note 29)	–	48 512	–	–	48 512
Subtotal	**135 662**	**86 715**	**8 369**	**43 128**	**273 874**
Total	**1 887 142**	**583 892**	**116 418**	**599 939**	**3 187 391**

112. The principal of two trust funds (United Nations Library endowment fund and Sasakawa-UNDRO disaster prevention award endowment fund), amounting to $3.360 million (2018: $3.357 million), remains restricted because it has been set aside and is unavailable for use in the operations of those trust funds. The amounts are invested to generate investment revenue that is used in the operations of the trust funds. The principal portion of the investment must be kept separate until further advised by the donor.

Note 8
Assessed contributions: receivables from non-exchange transactions

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Member States	793 090	693 496
Non-member States	335	224
Allowance for doubtful assessed contributions receivable	(352 135)	(315 318)
Total assessed contributions receivable	**441 290**	**378 402**

Note 9
Voluntary contributions: receivables from non-exchange transactions

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2019*
Voluntary contributions	737 087	740 932	1 478 019
Allowance for doubtful voluntary contributions receivable	(18 358)	–	(18 358)
Total voluntary contributions receivable	**718 729**	**740 932**	**1 459 661**

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2018*
Voluntary contributions	680 803	880 008	1 560 811
Allowance for doubtful voluntary contributions receivable	(19 177)	–	(19 177)
Total voluntary contributions receivable	**661 626**	**880 008**	**1 541 634**

113. The non-current voluntary contributions receivable of $740.9 million (2018: $880.0 million) represents the discounted value of future year receivables. The current voluntary contributions receivable includes $58.5 million (2018: $65.2 million) of consolidated voluntary contributions receivable of the United Nations Development Programme (UNDP) multi-partner trust fund. The non-current voluntary contributions receivable also includes $60.0 million (2018: $11.9 million) of consolidated voluntary contributions receivable of the UNDP multi-partner trust fund.

Note 10
Other accounts receivable: receivables from exchange transactions and loans

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2019*
Loans receivable – loans provided by the Central Emergency Response Fund (note 30)	30 000	–	30 000
Receivables due from peacekeeping operations (note 30)	47 376	–	47 376
Receivables due from jointly financed administrative activities fund	20 000	–	20 000
Receivables from other United Nations entities	58 640	–	58 640
Other accounts receivable	33 273	780	34 053
Subtotal	**189 289**	**780**	**190 069**
Allowance for doubtful receivables due from peacekeeping operations (note 30)	(47 376)	–	(47 376)
Allowance for doubtful receivables due from other United Nations entities	(4 471)	–	(4 471)
Allowance for other doubtful receivables	(1 218)	–	(1 218)
Total other receivables	**136 224**	**780**	**137 004**

(Thousands of United States dollars)

	Current	*Non-Current*	*Total 31 December 2018*
Loans receivable – loans provided by the Central Emergency Response Fund (note 30)	15 000	–	15 000
Receivables due from peacekeeping operations (note 30)	47 376	–	47 376
Receivables due from jointly financed administrative activities fund	30 000	–	30 000
Receivables from other United Nations entities	62 280	–	62 280
Other accounts receivable	21 179	805	21 984
Subtotal	**175 835**	**805**	**176 640**
Allowance for doubtful receivables due from peacekeeping operations (note 31)	(47 376)	–	(47 376)
Allowance for doubtful receivables due from other United Nations entities	(3 909)	–	(3 909)
Allowance for other doubtful receivables	(2 267)	–	(2 267)
Total other receivables	**122 283**	**805**	**123 088**

Loans provided by the Central Emergency Response Fund

114. During 2019, the Central Emergency Response Fund granted two loans, of $20.0 million and $10.0 million, to UNRWA. The total loan to UNRWA of $30.0 million was outstanding as at 31 December 2019 and $10.0 million was repaid on 9 March 2020.

Note 11
Inventories

Consumables and supplies

115. Certain equipment under the capitalization threshold is treated as inventory for supply chain management during the year and subsequently removed from inventory for financial statement reporting. This comprises both serialized and non-serialized equipment. Serialized equipment is specifically identified from the material master data and removed from inventory. Previously, non-serialized equipment was extracted based on specific material groups. During the current year, individual material master data were updated to indicate non-serialized equipment and this identifier has resulted in an adjustment to prior year consumption of inventory by $2.5 million ($2.1 million in consumables and supplies and $0.4 million in raw materials).

Recognition of inventory

116. Inventory held in certain offices that was previously omitted in financial statements is reported in these statements. The opening balance of such inventory was $9.9 million and the net assets were adjusted accordingly.

Physical inventory reconciliation and optimization project

117. To improve the quality of inventory data migrated from Galileo in the prior year, the physical inventory reconciliation and optimization project was launched in October 2018. Missions further reviewed and validated the converted data in three key areas: classification of materials, valuation and physical location. The pertinent adjustment was supposed to be entered using a special transaction identifier; however, only a $1.8 million net decrease in consumables and supplies was recorded using that

method. Much larger clean-up activities were entered as regular receipt and issuance transactions, thereby inflating the amounts related to purchase and consumption during the current year. Notwithstanding the commingling of adjustments with actual transactions, the ending balance of inventory as at 31 December 2019 is regarded as more valid and reliable.

(Thousands of United States dollars)

	Held for sale	*Raw materials*	*Strategic reserves*	*Consumables and supplies*	*Total*
Opening inventory as at 1 January 2018	**2 053**	**70**	**672**	**31 686**	**34 481**
Purchase	982	94	84	8 787	9 947
Consumption[a]	(1 057)	260	(121)	(12 035)	(12 953)
Impairment and write-offs	(16)	–	–	–	(16)
Total inventory as at 31 December 2018	**1 962**	**424**	**635**	**28 438**	**31 459**
Adjustment[b]	18	327	–	9 580	9 925
Purchase[c]	1 613	353	749	35 450	38 165
Consumption[c]	(1 270)	(855)	(552)	(43 319)	(45 996)
Impairment and write-offs	–	–	(80)	(2 107)	(2 187)
Total inventory as at 31 December 2019	**2 323**	**249**	**752**	**28 042**	**31 366**

[a] Restated for the removal of equipment under the capitalization threshold (see paragraph 115).
[b] Represents the opening balance of inventory previously not reported (see paragraph 116).
[c] Includes adjustments as a result of the physical inventory reconciliation and optimization project (see paragraph 117).

Note 12
Other assets

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Advances to United Nations Development Programme and other United Nations agencies[a]	72 302	50 984
Advances to vendors	741	2 771
Advances to staff	33 343	30 790
Advances to military and other personnel	5 565	3 028
Deferred charges	26 937	34 560
United Nations Development Programme multi-partner trust fund advances (note 22)	230 126	282 810
Other	15 224	17 543
Total other assets	**384 238**	**422 486**

[a] Includes amount advanced to the United Nations Development Programme for the resident coordinator system.

Note 13
Heritage assets

118. Certain assets are categorized as heritage assets because of their cultural, educational or historical significance. The Organization’s heritage assets were acquired over many years by various means, including donation and bequest. During

2019, a significant heritage asset in the form of a steel sculpture entitled Kusikawsay was received and is on display at Headquarters.

119. Heritage assets are not held to generate any future economic benefits or service potential; accordingly, the Organization elected not to recognize them in the statement of financial position. Significant heritage assets owned by the Organization comprise works of art, statues, monuments, historical buildings and books and maps.

Note 14
Property, plant and equipment

120. Real estate assets (buildings and infrastructure) are valued at either historical cost or depreciated replacement cost, while machinery and equipment, vehicles, furniture and fittings and communications and information technology equipment are valued using historical cost. The useful lives as defined in the United Nations useful life catalogue for each main IPSAS asset class are used to calculate the depreciation on a straight-line basis.

121. The net book value of property, plant and equipment as at 31 December 2019 was $2,952.4 million (2018: $2,982.7 million). The total cost of acquisitions and transfers during 2019 was $138.3 million (2018: $111.3 million), including a contribution in kind of $16.4 million for the renovation and refurbishment of a conference room at the United Nations Office at Geneva.

122. During the year, the Organization disposed of assets in the amount of $4.5 million at net book value (2018: $4.5 million). Equipment was written down by $3.7 million (2018: $1.1 million), mainly owing to losses and other actions ($3.4 million), to malfunctions ($0.2 million) and to hostile actions ($0.12 million). Buildings and infrastructure were written down by $0.7 million (2018: $3.4 million), mainly owing to downsizing at the United Nations Assistance Mission in Afghanistan.

123. An impairment review was conducted and no significant impairment was identified.

Assets under construction

124. During the year, additions of $78.4 million (2018: $80.7 million) were capitalized to assets under construction, relating primarily to the refurbishment and renovation of the Palais des Nations under the strategic heritage plan of the United Nations Office at Geneva ($54.1 million), construction and configuration of flexible workspace at Headquarters in New York ($6.9 million), construction of buildings and infrastructure assets in special political missions ($6.2 million), renovation of Africa Hall at ECA ($4.2 million) and leasehold improvements of the ESCAP building in Bangkok ($2.6 million).

125. The strategic heritage plan of the United Nations Office at Geneva has a total projected cost of SwF 836.5 million (equivalent to $857.9 million). Construction work is expected to continue until 2024 and the project is co-financed by an interest-free refundable loan from the Government of Switzerland for the maximum amount of SwF 400 million (see note 21, paragraph 168). The Africa Hall project was established with a maximum cost of $56.9 million. The project is expected to be completed after 2021 owing to delays in the construction process.

126. Assets under construction amounting to $16.0 million (2018: $21.8 million) were completed and became operational, including the construction of buildings and infrastructure in special political missions ($9.9 million), leasehold improvements for the ESCAP building ($2.6 million), renovation of buildings and parking areas in Geneva ($2.0 million) and leasehold improvements for the Economic Commission for Latin America and the Caribbean building ($0.6 million).

127. Assets under construction at year end in the amount of $226.3 million (2018: $163.9 million) primarily comprise $179.3 million for the refurbishment and renovation of the Palais des Nations, $20.4 million for flexible workspace construction at Headquarters in New York, $11.9 million for the renovation of Africa Hall at ECA, $6.6 million for the construction of buildings and infrastructure assets in special political missions and $6.1 million for leasehold improvements for the ESCAP building.

Finance lease assets

128. As at 31 December 2019, the cost of assets under finance leases amounted to $145.7 million ($62.8 million net book value), comprising donated right-to-use assets of $140.1 million at replacement cost ($62.8 million net book value) and commercial leases costing $5.6 million (nil net book value). The donated-right-to-use mainly represents the cost of the Vienna International Centre ($137.9 million at cost, $62.3 million at book value). The commercial leases represent network equipment.

129. The Vienna International Centre leases were established in 1979 for 99 years for four United Nations system entities (the United Nations Office at Vienna, the International Atomic Energy Agency, the United Nations Industrial Development Organization and the Preparatory Commission for the Comprehensive Nuclear-Test-Ban Treaty Organization). As at 1 January 2015, the cost and net book value of the Centre were €489.2 million ($596.6 million) and €288.0 million ($351.2 million), respectively. The Organization's share was determined to be 22.76 per cent. Accordingly, costs of $135.8 million and net book value of $79.9 million were recognized as at 1 January 2015.

130. In 2019, the share of leasehold improvements made to the Vienna International Centre buildings in the amount of $0.3 million was capitalized.

131. The land of the Centre is treated as an operating lease. The Organization's share of the fair rental value of the land is recognized as a contribution in kind.

Property, plant and equipment: 2019

(Thousands of United States dollars)

	Land	*Buildings*	*Infrastructure*	*Vehicles*	*Communications and information technology equipment*	*Machinery and equipment*	*Furniture and fixtures*	*Assets under construction*	*Leasehold improvements*	*Total*
Cost as at 31 December 2018	**835 698**	**3 766 665**	**319 258**	**173 682**	**170 849**	**55 118**	**4 392**	**163 907**	**9 364**	**5 498 933**
Additions	–	20 588	1 497	21 767	8 922	3 022	161	78 371	112	134 440
Disposals	–	(1 088)	–	(16 075)	(8 650)	(2 404)	–	–	–	(28 217)
Completed assets under construction	–	13 488	1 145	–	1 100	–	265	(15 998)	–	–
Transfers	–	–	–	(129)	(3)	6	–	–	–	(126)
Cost as at 31 December 2019	**–**	**3 799 653**	**321 900**	**179 245**	**172 218**	**55 742**	**4 818**	**226 280**	**9 476**	**5 605 030**
Accumulated depreciation as at 31 December 2018	–	**2 057 716**	**174 265**	**114 027**	**128 230**	**38 079**	**2 951**	**–**	**999**	**2 516 267**
Depreciation	–	113 494	15 773	14 202	12 730	2 980	302	–	561	160 042
Disposals	–	(355)	–	(12 692)	(8 465)	(2 251)	–	–	–	(23 763)
Transfers	–	–	–	33	(6)	1	–	–	–	28
Impairment losses	–	4	–	52	–	–	–	–	–	56
Accumulated depreciation as at 31 December 2019	**–**	**2 170 859**	**190 038**	**115 622**	**132 489**	**38 809**	**3 253**	**–**	**1 560**	**2 652 630**
Net carrying amount										
31 December 2018	835 698	1 708 949	144 993	59 655	42 619	17 039	1 441	163 907	8 365	2 982 666
31 December 2019	**835 698**	**1 628 794**	**131 862**	**63 623**	**39 729**	**16 933**	**1 565**	**226 280**	**7 915**	**2 952 400**

Property, plant and equipment: 2018

(Thousands of United States dollars)

	Land	*Buildings*	*Infrastructure*	*Vehicles*	*Communications and information technology equipment*	*Machinery and equipment*	*Furniture and fixtures*	*Assets under construction*	*Leasehold improvements*	*Total*
Cost as at 31 December 2017	**835 698**	**3 756 826**	**314 403**	**171 323**	**171 237**	**52 320**	**5 008**	**104 971**	**4 307**	**5 416 093**
Additions	–	4 714	–	11 543	8 901	5 240	87	80 727	–	111 212
Disposals	–	(4 314)	(2 290)	(9 184)	(9 778)	(2 178)	(703)	–	–	(28 447)
Completed assets under construction	–	9 439	7 145	–	150	–	–	(21 791)	5 057	–
Transfers	–	–	–	–	339	(264)	–	–	–	75
Cost as at 31 December 2018	**835 698**	**3 766 665**	**319 258**	**173 682**	**170 849**	**55 118**	**4 392**	**163 907**	**9 364**	**5 498 933**
Accumulated depreciation as at 31 December 2017	**–**	**1 935 324**	**158 123**	**110 128**	**122 939**	**37 009**	**3 325**	**–**	**546**	**2 367 394**
Depreciation	–	124 112	17 197	12 476	14 596	3 267	329	–	453	172 430
Disposals	–	(1 863)	(1 262)	(8 577)	(9 640)	(1 901)	(703)	–	–	(23 946)
Transfers	–	–	–	–	335	(296)	–	–	–	39
Impairment losses	–	143	207	–	–	–	–	–	–	350
Accumulated depreciation as at 31 December 2018	**–**	**2 057 716**	**174 265**	**114 027**	**128 230**	**38 079**	**2 951**	**–**	**999**	**2 516 267**
Net carrying amount										
31 December 2017	835 698	1 821 502	156 280	61 195	48 298	15 311	1 683	104 971	3 761	3 048 699
31 December 2018	**835 698**	**1 708 949**	**144 993**	**59 655**	**42 619**	**17 039**	**1 441**	**163 907**	**8 365**	**2 982 666**

Note 15
Intangible assets

132. All intangible assets acquired before 1 January 2014 were subject to IPSAS transitional provisions and were not recognized, with the exception of Umoja, which is the enterprise resource planning system of the Organization. All subsequent acquisitions have been recognized in accordance with the established recognition criteria.

133. The net book value of intangible assets as at 31 December 2019 was $142.6 million (2018: $130.5 million). The total costs of acquisitions and amortization during 2019 were $33.4 million and $21.3 million, respectively.

134. The total carrying value of the Umoja project as at year end was $103.6 million (2018: $94.7 million). Umoja-related development costs are capitalized as assets under development until the relevant phase becomes operational, at which time the completed asset under development is transferred to intangible operational assets.

135. During the year, additions of $33.2 million (2018: $26.2 million) were capitalized to assets under development, relating primarily to Umoja software ($32.0 million), and a total of $25.1 million assets under development were completed and became operational.

136. Assets under development at year end amounting to $17.9 million (2018: $11.5 million) relate primarily to the development of Umoja software ($16.3 million).

Intangible assets: 2019

(Thousands of United States dollars)

	Umoja	Other software developed internally	Software acquired externally	Licences and rights	Assets under development: Umoja	Assets under development: Other	Total
Cost as at 31 December 2018	**209 342**	**18 228**	**16 082**	**154**	**9 458**	**2 004**	**255 268**
Additions	–	–	116	–	32 010	1 236	33 362
Disposals	–	–	(66)	–	–	–	(66)
Completed assets under development	25 124	1 647	–	–	(25 124)[a]	(1 647)	–
Transfers	–	–	54	–	–	–	54
Cost as at 31 December 2019	**234 466**	**19 875**	**16 186**	**154**	**16 344**	**1 593**	**288 618**
Accumulated amortization as at 31 December 2018	**114 675**	**7 954**	**2 017**	**99**	**–**	**–**	**124 745**
Amortization	16 143	3 277	1 829	27	–	–	21 276
Disposals	–	–	(66)	–	–	–	(66)
Transfers	–	–	16	–	–	–	16
Accumulated amortization as at 31 December 2019	**130 818**	**11 231**	**3 796**	**126**	**–**	**–**	**145 971**
Net carrying amount							
31 December 2018	94 667	10 274	14 065	55	9 458	2 004	130 523
31 December 2019	**103 648**	**8 644**	**12 390**	**28**	**16 344**	**1 593**	**142 647**

[a] Includes $1.920 million of Umoja integration enhancements, which were completed in prior years.

Intangible assets: 2018

(Thousands of United States dollars)

	Umoja	*Other software developed internally*	*Software acquired externally*	*Licences and rights*	*Assets under development*		*Total*
					Umoja	*Other*	
Cost as at 31 December 2017	**171 129**	**18 228**	**4 447**	**154**	**23 037**	**401**	**217 396**
Additions	–	–	11 635	–	24 634	1 603	37 872
Completed assets under development	38 213	–	–	–	(38 213)[a]	–	–
Cost as at 31 December 2018	**209 342**	**18 228**	**16 082**	**154**	**9 458**	**2 004**	**255 268**
Accumulated amortization as at 31 December 2017	**98 784**	**4 380**	**1 001**	**73**	**–**	**–**	**104 238**
Amortization	15 891	3 574	1 011	26	–	–	20 502
Impairment	–	–	5	–	–	–	5
Accumulated amortization as at 31 December 2018	**114 675**	**7 954**	**2 017**	**99**	**–**	**–**	**124 745**
Net carrying amount							
31 December 2017	72 345	13 848	3 446	81	23 037	401	113 158
31 December 2018	**94 667**	**10 274**	**14 065**	**55**	**9 458**	**2 004**	**130 523**

[a] Includes $18.1 million of Umoja integration enhancements, which were completed in prior years.

Note 16
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Payable to vendors	52 474	45 278
Transfers payable	21 638	10 783[a]
Payable to other United Nations entities	72 277	31 728
Accruals for goods and services	135 373	102 255
Accounts payable – other	55 894	42 023
Subtotal	**337 656**	**232 067**
Payable to Member States	387	1 812
Working Capital Fund payable to Member States[b]	150 000	150 000
Subtotal	**150 387**	**151 812**
Total accounts payable and accrued liabilities	**488 043**	**383 879**

[a] Restated to conform to the current year presentation.
[b] The Working Capital Fund represents advances from Member States to finance budgeted or extraordinary expenses and for other purposes as authorized by the General Assembly.

Note 17
Advance receipts

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Deferred revenue	94 439	122 497
Advance receipts from Member States	72	1 880
Total advance receipts	**94 511**	**124 377**

Note 18
Employee benefits liabilities

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2019*
After-service health insurance	78 227	4 431 554	4 509 781
Annual leave	15 939	139 893	155 832
Repatriation benefits	25 932	216 682	242 614
Total attributable to regular budget	*120 098*	*4 788 129*	*4 908 227*
After-service health insurance	8 232	872 470	880 702
Annual leave	3 883	52 909	56 792
Repatriation benefits	5 135	65 699	70 834
Total attributable to extrabudgetary resources	*17 250*	*991 078*	*1 008 328*
Defined end-of-service/post-employment benefits liabilities	**137 348**	**5 779 207**	**5 916 555**

	Current	*Non-current*	*Total 31 December 2019*
Appendix D/workers' compensation	1 877	35 862	37 739
Pension contributions liabilities	599	–	599
Insurance liabilities	16 052	–	16 052
Accrued salaries and allowances	68 057	31	68 088
Total employee benefits liabilities	**223 933**	**5 815 100**	**6 039 033**

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2018*
After-service health insurance	94 834	3 629 452	3 724 286
Annual leave	11 229	120 556	131 785
Repatriation benefits	18 046	187 482	205 528
Total attributable to regular budget	*124 109*	*3 937 490*	*4 061 599*
After-service health insurance	10 539	540 070	550 609
Annual leave	2 681	38 233	40 914
Repatriation benefits	3 544	48 798	52 342
Total attributable to extrabudgetary resources	*16 764*	*627 101*	*643 865*
Defined end-of-service/post-employment benefits liabilities	**140 873**	**4 564 591**	**4 705 464**
Appendix D/workers' compensation	1 826	30 283	32 109
Pension contributions liabilities	622	–	622
Insurance liabilities	20 520	–	20 520
Accrued salaries and allowances	61 998	35	62 033
Total employee benefits liabilities	**225 839**	**4 594 909**	**4 820 748**

137. The liabilities arising from end-of-service/post-employment benefits and the workers' compensation programme under Appendix D to the Staff Rules of the United Nations are determined by independent actuaries in accordance with IPSAS 39: Employee benefits. Actuarial valuation is usually undertaken every two years. The most recent full actuarial valuation was conducted as at 31 December 2019.

Defined end-of-service/post-employment benefits liabilities

Actuarial valuation: assumptions

138. The principal actuarial assumptions used to determine the employee benefits obligations at 31 December 2019 and 31 December 2018 are shown below.

Actuarial assumptions

(Percentage)

Assumptions	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Discount rates 31 December 2018	3.93	4.18	4.22
Discount rates 31 December 2019	2.36	3.04	2.5
Inflation 31 December 2018	3.89–5.57	2.20	–
Inflation 31 December 2019	3.76–5.44	2.20	–

139. The yield curves used in the calculation of the discount rates in respect of the United States dollars, the eurozone euro and the Swiss franc are those developed by Aon Hewitt, consistent with the decision of the Task Force on Accounting Standards to harmonize actuarial assumptions across the United Nations system.

140. The salary increase rate and the demographic assumptions used for the 2019 valuations are the same as those used for the latest United Nations Joint Staff Pension Fund valuation. The salary increase assumptions for the Professional staff category were 9.27 per cent for the age of 19 years, grading down to 3.97 per cent for the age of 70 years. The salaries of the General Service staff category were assumed to increase by 6.84 per cent for the age of 19 years, grading down to 3.47 per cent at the age of 70 years.

141. The per capita claim costs for the after-service health insurance plans are updated to reflect recent claims and enrolment experience. The health-care cost trend rate assumption is revised to reflect the current short-term expectations of the after-service health insurance plan cost increases and the economic environment. The health-care cost trend rates are based on Aon Hewitt long-term assumptions for different currencies as shown below.

	2019			*2018*		
Cost trend assumptions	*Initial*	*Final*	*Grade down*	*Initial*	*Final*	*Grade down*
United States non-Medicare	5.44%	3.85%	13 years	5.57%	3.85%	14 years
United States Medicare	5.26%	3.85%	13 years	5.38%	3.85%	14 years
United States Dental	4.66%	3.85%	13 years	4.73%	3.85%	14 years
Non-United States (Switzerland)	3.76%	2.85%	8 years	3.89%	3.05%	9 years
Non-United States (eurozone)	3.83%	3.65%	3 years	3.91%	3.65%	4 years

142. With regard to the valuation of repatriation benefits as at 31 December 2019, inflation in travel costs was assumed to be 2.20 per cent (2018: 2.20 per cent), on the basis of the projected United States inflation rate over the next 20 years.

143. Annual leave balances were assumed to increase at the following annual rates during the staff member’s projected years of service: 0–3 years, 10.9 per cent; 4−8 years, 1 per cent; and more than nine years, 0.5 per cent, up to the maximum of 60 days. The attribution method is used for annual leave actuarial valuation.

144. For defined-benefit plans, assumptions regarding future mortality are based on published statistics and mortality tables. Salary increases, retirement, withdrawal and mortality assumptions are consistent with those used by the United Nations Joint Staff Pension Fund in making its actuarial valuation.

Actuarial valuation: movement in post-employment benefits liabilities accounted for as defined benefit plans

(Thousands of United States dollars)

	2019	*2018*
Net defined-benefits liability as at 1 January	**4 705 464**	**5 043 449**
Current service cost	152 334	162 785
Interest cost	183 167	166 864
Total costs recognized in the statement of financial performance	**335 501**	**329 649**
Benefits paid	(145 287)	(139 725)
Actuarial (gains)/losses recognized directly in the statement of changes in net assets[a]	1 020 877	(527 909)
Net defined-benefits liability as at 31 December	**5 916 555**	**4 705 464**

[a] The net cumulative amount of actuarial losses recognized in the statement of changes in net assets is $1,260.077 million (2018: $239.200 million).

Actuarial valuation: discount rate sensitivity analysis

145. The changes in discount rates are driven by the discount curve, which is calculated on the basis of corporate bonds. The bonds markets varied over the reporting period, and volatility has an impact on the discount rate assumption. Should the assumption vary by 0.5 per cent (2018: 1 per cent), its impact on the obligations would be as shown below.

Discount rate sensitivity analysis: year-end employee benefits liabilities

(Thousands of United States dollars)

31 December 2019	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Increase of discount rate by 0.5 per cent	(529 068)	(11 604)	(8 835)
As a percentage of year-end liability	(11.0)	(4)	(4)
Decrease of discount rate by 0.5 per cent	621 685	12 438	9 538
As a percentage of year-end liability	13.0	4	4

31 December 2018	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Increase of discount rate by 1 per cent	(729 549)	(22 076)	(15 316)
As a percentage of year-end liability	(17.07)	(8.56)	(8.87)
Decrease of discount rate by 1 per cent	970 428	25 641	17 866
As a percentage of year-end liability	22.70	9.94	10.35

Actuarial valuation: medical costs sensitivity analysis

146. The principal assumption in the valuation of the after-service health insurance is the rate at which medical costs are expected to increase in the future. The sensitivity analysis looks at the change in liability resulting from changes in the medical cost rates while holding other assumptions, such as the discount rate, constant. Should the

medical cost trend assumption vary by 0.5.per cent (2018: 1 per cent), this would have an impact on the measurement of the defined-benefit obligations, as shown below.

Medical costs sensitivity analysis: 0.5 per cent (2018: 1 per cent) movement in the assumed medical cost trend rates

(Thousands of United States dollars and percentage)

2019	*Increase*		*Decrease*	
Effect on the defined-benefit obligation	12.05%	593 406	(10.39%)	(512 106)
Effect on the aggregate of the current service cost and interest cost	0.87%	43 003	(0.73%)	(36 178)
Total effect		**636 409**		**(548 284)**

2018	*Increase*		*Decrease*	
Effect on the defined-benefit obligation	22.79%	974 076	(17.45%)	(745 993)
Effect on the aggregate of the current service cost and interest cost	1.81%	77 529	(1.33%)	(56 805)
Total effect		**1 051 605**		**(802 798)**

147. With effect from 1 January 2017, the Organization began to accrue 3 per cent on gross salary plus post adjustment for staff funded from extrabudgetary resources as a reserve to cover the Organization’s after-service health insurance obligation in respect of staff retiring from positions funded from extrabudgetary resources. The rate was subsequently increased to 6 per cent on 1 January 2019. However, the net deficit of the extrabudgetary fund for after-service health insurance obligations amounted to $771.5 million as at 31 December 2019 (2018: a deficit of $523.8 million) owing to considerably higher increases in the after-service health insurance obligation.

148. The Organization accrues 8 per cent on gross salary less staff assessment for staff funded from extrabudgetary resources as a reserve to cover the Organization’s repatriation grant obligation. The net asset of the repatriation grant extrabudgetary fund amounted to $43.8 million as at 31 December 2019 (2018: $44.7 million).

Other defined-benefit plan information

149. Benefits paid for 2019 are estimates of what would have been paid to separating staff and/or retirees during the year based on the pattern of rights acquisition under each scheme: after-service health insurance, repatriation and commutation of accrued annual leave. The estimated defined-benefit payments (net of participants’ contributions in these schemes) are shown in the table below.

Estimated defined-benefit payments, net of participants’ contributions

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*	*Total*
2020	71 354	32 011	20 318	123 683
2019	108 540	22 346	14 401	145 287

Historical information: total liability for after-service health insurance, repatriation benefits and annual leave as at 31 December

(Millions of United States dollars)

	2019	*2018*	*2017*	*2016*	*2015*
Present value of the defined-benefit obligations	5 451	4 705	5 043	4 337	4 135

Other employee benefit liabilities

Fund for compensation payments: Appendix D/workers' compensation

150. The fund for compensation payments relates to the payment of compensation with regard to death, injury or illness attributable to the performance of official duties. The rules governing the compensation payments are under Appendix D to the Staff Rules. The fund allows the Organization to continue to fulfil its obligation to make compensation payments for death, injury or illness. The fund derives its revenue from a charge of 1 per cent of the net base remuneration, including post adjustment for eligible personnel. It covers Appendix D claims submitted by personnel, covering monthly death and disability benefits and lump sum payments for injury or illness as well as medical expenses.

Appendix D/workers' compensation costs actuarial valuation: assumptions

151. The workers' compensation liability is actuarially valued. The liabilities are determined from the projected benefits, which are increased for cost-of-living allowance, decreased for mortality and then discounted to the present value. Obligations as at 31 December 2019, estimated at $37.7 million, are based on an actuarial valuation as at the same date.

152. The cost-of-living adjustment is the same as that used in the 31 December 2017 actuarial valuation of the United Nations Joint Staff Pension Fund, which is 2.20 per cent. Like defined-benefit liabilities, the Aon Hewitt yield curves were used in determining the 31 December 2019 obligation. Appendix D/workers' compensation uses mortality assumptions based on World Health Organization statistical tables.

Appendix D/workers' compensation costs actuarial valuation: sensitivity analysis

153. The sensitivity analysis looks at the change in liability resulting from changes in the cost-of-living adjustment as well as changes in assumed discount rates. A change in the cost-of-living adjustment and a change in the assumed discount rates of 1 per cent would have an impact on the measurement of the Appendix D obligation as shown below.

Appendix D costs: effect of 1 per cent movement in cost-of-living adjustment sensitivity to end-of-year liability

(Thousands of United States dollars and percentage)

	31 December 2019	*31 December 2018*
Increase of cost-of-living adjustment by 1 per cent	5 042	4 030
As a percentage of year-end liability	13.36	12.55
Decrease of cost-of-living adjustment by 1 per cent	(4 290)	(3 353)
As a percentage of year-end liability	(11.37)	(10.44)

Appendix D costs: effect of 1 per cent movement in assumed discount rates sensitivity to end-of-year liability

(Thousands of United States dollars and percentage)

	31 December 2019	*31 December 2018*
Increase of discount rate by 1 per cent	(4 069)	(3 507)
As a percentage of year-end liability	(10.78)	(10.92)
Decrease of discount rate by 1 per cent	5 702	4 332
As a percentage of year-end liability	15.11	13.49

Accrued salaries and allowances

154. Accrued salaries and allowances comprise $17.9 million (2018: $21.3 million) in accrued salaries, home leave benefits of $40.8 million (2018: $33.4 million) and $8.6 million (2018: $7.0 million) relating to other payables and accruals for repatriation grant payables and other allowances.

United Nations Joint Staff Pension Fund

155. The Regulations of the Pension Fund state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the consulting actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the open group aggregate method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Fund will be sufficient to meet its liabilities.

156. The Organization’s financial obligation to the Pension Fund consists of its mandated contribution, at the rate established by the General Assembly (currently 7.90 per cent for participants and 15.80 per cent for member organizations), together with a share of any actuarial deficiency payments under article 26 of the Regulations of the Fund. Such deficiency payments are payable only if and when the Assembly invokes the provision of article 26, following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as at the valuation date. Each member organization shall contribute to the deficiency an amount proportionate to the total contributions that each paid during the three years preceding the valuation date.

157. The latest actuarial valuation for the Fund was completed as at 31 December 2017 and the valuation as at 31 December 2019 is currently being performed. A roll-forward of the participation data as at 31 December 2017 to 31 December 2018 was used by the fund for its 2018 financial statements.

158. The actuarial valuation as at 31 December 2017 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 139.2 per cent (150.1 per cent in the 2016 roll-forward). The funded ratio was 102.7 per cent (101.4 per cent in the 2016 roll-forward) when the current system of pension adjustments was taken into account.

159. After assessing the actuarial sufficiency of the Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2017, for deficiency payments under article 26 of the Regulations of the Fund, as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as at the valuation date. At the time of reporting, the General Assembly had not invoked the provision of article 26.

160. Should article 26 be invoked because of an actuarial deficiency, either during the ongoing operation or owing to the termination of the Fund pension plan, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2015, 2016 and 2017) amounted to $6,931.39 million, of which 18.1 per cent was contributed by the Organization.

161. During 2019, the Organization's contributions, including the staff portion, paid to the Pension Fund amounted to $463.4 million (2018: $440.4 million). Expected contributions due in 2020 are approximately $480.1 million.

162. Membership in the Fund may be terminated by decision of the General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the Pension Board on the basis of an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount.

163. The Board of Auditors carries out an annual audit of the Pension Fund and reports to the Pension Board and to the General Assembly on the audit every year. The Fund publishes quarterly reports on its investments, which can be viewed on the Fund's website (www.unjspf.org).

Note 19
Provisions

(Thousands of United States dollars)

	Credits to Member States	*Litigation and claims*	*Restoration*	*Insurance claims (incurred but not reported)*	*Total*
Provisions as at 31 December 2018	**53 763**	**1 595**	**457**	**102 107**	**157 922**
Additional provisions made	–	580	159	99 031	99 770
Amounts reversed	–	(1 095)	(45)	–	(1 140)
Amounts used	(28 571)	(344)	–	(102 107)	(131 022)
Provisions as at 31 December 2019	**25 192**	**736**	**571**	**99 031**	**125 530**
Current	25 192	736	336	99 031	125 295
Non-current	–	–	235	–	235
Total	**25 192**	**736**	**571**	**99 031**	**125 530**

(Thousands of United States dollars)

	Credits to Member States	*Litigation and claims*	*Restoration*	*Insurance claims (incurred but not reported)*	*Total*
Provisions as at 31 December 2017	**28 571**	**858**	**572**	**84 394**	**114 395**
Additional provisions made	25 192[a]	1 369	197	102 107	128 865
Amounts reversed	–	(554)	(312)	–	(866)
Amounts used	–	(78)	–	(84 394)	(84 472)
Provisions as at 31 December 2018	**53 763**	**1 595**	**457**	**102 107**	**157 922**
Current	53 763	1 595	196	102 107	157 661
Non-current	–	–	261	–	261
Total	**53 763**	**1 595**	**457**	**102 107**	**157 922**

[a] Relates to the cancellation of biennium 2016–2017 commitments (see note 25).

164. The provisions for credits to Member States for unencumbered balances of appropriations in the amount of $25.2 million was established 2018. Provisions for $0.7 million (2018: $1.6 million) were set up for various ongoing legal claims where it was assessed that the probability of a pay-out was greater than 50 per cent. Provisions for insurance claims (incurred but not reported) represent estimated costs that may be required to settle medical and dental claims that have been incurred during the year for which claims were not yet filed.

Note 20
Tax Equalization Fund liability

165. The Tax Equalization Fund was established under the provisions of General Assembly resolution 973 (X) to equalize the net pay of all staff members whatever their national tax obligations. The Fund operationally reports as income staff assessment with respect to staff members financed under the regular budget, assessed peacekeeping operations and the International Residual Mechanism for Criminal Tribunals.

166. The Fund includes as expenditure credits against the assessed contributions for the regular budget, peacekeeping and the International Residual Mechanism to Member States that do not levy taxes on the United Nations income of their nationals. Member States that do levy income taxes on their nationals working for the Organization do not receive this credit in full. Instead, their share is utilized in the first instance to reimburse staff members financed by the regular budget, peacekeeping and the Residual Mechanism for taxes paid on their United Nations income. Such reimbursements for taxes paid are reported as expenditure by the Tax Equalization Fund. Staff members financed by extrabudgetary funds who are required to pay income tax are reimbursed directly from the resources of those funds. Since the Organization acts as an agent in this arrangement, net of the related revenue and expenses is reported as a payable in these financial statements.

Operational revenue and expenses of the Tax Equalization Fund[a]

(Thousands of United States dollars)

	United States of America	*Other Member States*	*31 December 2019*	*31 December 2018*
Staff assessment receipts from:				
United Nations regular budget	58 855	208 669	267 524	260 842
Peacekeeping operations	50 349	130 169	180 518	184 646
Residual Mechanism	2 116	6 366	8 482	8 839
Interest revenue split	395	1 223	1 618	1 657
Total staff assessment revenue	**111 715**	**346 427**	**458 142**	**455 984**
Staff costs and other	81 186	–	81 186	95 466
Contractual services	169	–	169	252
Credits given to other Member States for:				
United Nations regular budget	–	215 552	215 552	200 788
Peacekeeping operations	–	127 028	127 028	120 662
Residual Mechanism	–	7 912	7 912	9 446
Total expenses	**81 355**	**350 492**	**431 847**	**426 614**
Net excess of revenue over	**30 360**	**(4 065)**	**26 295**	**29 370**

[a] This summary information presented in a table format shows the revenues and expenses of the Tax Equalization Fund, which have been eliminated in the financial statements of volume I. An amount of $26.295 million, representing excess of revenues over expenses has been added to cumulative surplus balances during 2019 and transferred to the tax equalization liability financial statement line.

167. The cumulative surplus accumulated in the Tax Equalization Fund as at 31 December 2019 was $123.022 million (2018: $96.727 million), consisting of amounts payable to the United States of America at year end of $70.198 million (2018: $39.838 million) and to other Member States of $52.824 million (2018: $56.889 million). The overall amount payable of the Fund is $182.595 million (2018: $150.873 million), which includes an estimated tax liability of $59.573 million relating to the 2019 and prior tax years (2018: $54.146 million), of which approximately $31.370 million was disbursed in January 2020 and approximately $28.203 million was expected to be settled in April 2020.

Note 21
Other liabilities

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2019*
Liabilities for conditional arrangements	103 453	22 928	126 381
Liabilities under donated right-to-use arrangements	3 377	59 478	62 855
Straight-lining of operating lease	7 869	–	7 869
Borrowings	2 566	62 523	65 089
Other liabilities	9 484	2 603	12 087
Total other liabilities	**126 749**	**147 532**	**274 281**

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2018*
Liabilities for conditional arrangements	94 955	42 457	137 412
Liabilities under donated right-to-use arrangements	3 698	62 816	66 514
Straight-lining of operating lease	6 525	–	6 525
Borrowings	–	34 086	34 086
Other liabilities	5 678	203	5 881
Total other liabilities	**110 856**	**139 562**	**250 418**

Borrowings

168. The General Assembly, in its resolution 70/248 A, approved the financing of the strategic heritage plan project in part through an interest-free loan from the host country. A loan contract was signed in April 2017 between the Organization and the Fondation des immeubles pour les organisations internationales (FIPOI) (a public entity under the Government of Switzerland), for the maximum loan amount of SwF 400 million. The Organization withdraws funds available under the loan in several tranches each year. The loan is measured at amortized cost using the interest rate of a 30-year Swiss federal government bond. As at 31 December 2019, the nominal loan amount withdrawn was $67.2 million (equivalent to SwF 65.5 million). Its corresponding fair value at amortized cost is $65.1 million.

169. The loan is received at below the normal market rates, and therefore treated as a concessionary loan. Owing to the negative interest rate of a 30-year Swiss federal bond as at 31 December 2019, the statement of financial performance includes notional finance costs of $1.35 million for 2019; in 2018, notional revenue of $1.99 million was recognized. Neither the notional finance costs nor the notional revenue are paid or received in cash.

Note 22
Controlled multi-partner trust funds

170. Multi-partner trust funds are pooled resources from multiple financial partners that are allocated to multiple implementing entities to support specific national, regional or global development priorities. They are administered by the UNDP Multi-Partner Trust Fund Office.

Multi-partner trust funds where the Organization has control and is the principal

171. Common humanitarian funds have been established as partnerships between the United Nations agencies for humanitarian activities in a number of countries. The Office for the Coordination of Humanitarian Affairs serves as the technical unit for the funds and is responsible for managing the allocation process. The Organization therefore controls the funds and is the principal in those multi-partner trust funds.

172. The Peacebuilding Fund has financed approximately 500 projects in 40 countries by delivering fast and flexible funding for peacebuilding initiatives in post-conflict countries. Given that the Fund is controlled and managed by the Peacebuilding Support Office, the Organization is the principal in the programme.

173. Following the adoption of General Assembly resolution 71/1, entitled "New York Declaration for Refugees and Migrants", the Organization launched in 2017 the United Nations multi-partner trust fund to support the global compact for safe, orderly

and regular migration. The Advisory Committee of the fund is chaired by the Special Representative of the Secretary-General for International Migration.

174. In 2016, the Organization launched the United Nations Haiti cholera response multi-partner trust fund. The fund provides a rapid, flexible and accountable platform to support a coordinated response from the United Nations system and partners. The Special Envoy of the Secretary-General for Haiti and the Director of the Sustainable Development Unit of the Executive Office of the Secretary-General act as the Co-Chairs of the Advisory Committee of the fund. Accordingly, the Organization is considered as the principal in the fund.

175. The multi-partner trust funds where the Organization has control and is the principal are therefore consolidated in full in the Organization's financial statements. A summary of revenue, expenses and net assets of the controlled multi-partner trust funds is shown below.

(Thousands of United States dollars)

	Year ended 31 December 2019				
	Common humanitarian funds	*Peacebuilding funds*	*Multi-partner trust fund on migration*	*Haiti cholera response fund*	*Total*
Revenue	432 462	114 330	–	10 058	556 850
Expenses	(419 946)	(159 276)	78	(5 648)	(584 792)
Net surplus/(deficit)	**12 516**	**(44 946)**	**78**	**4 410**	**(27 942)**
Net assets as at 31 December 2018	212 172	141 448	376	6 004	360 000
Net assets as at 31 December 2019	**224 688**	**96 502**	**454**	**10 414**	**332 058**

(Thousands of United States dollars)

	Year ended 31 December 2018				
	Common humanitarian funds	*Peacebuilding funds*	*Multi-partner trust fund on migration*	*Haiti cholera response fund*	*Total*
Revenue	333 683	132 206	612	3 010	469 511
Expenses	(323 081)	(156 953)	(259)	(2 033)	(482 326)
Net surplus/(deficit)	**10 602**	**(24 747)**	**353**	**977**	**(12 815)**
Net assets as at 31 December 2017	201 570	166 195	23	5 027	372 815
Net assets as at 31 December 2018	**212 172**	**141 448**	**376**	**6 004**	**360 000**

Note 23
Interests in joint arrangements

Interests in joint arrangements accounted for using the equity method

Joint arrangements accounted for using the equity method, as at 31 December 2019

(Thousands of United States dollars)

	Net assets/ (liability) as at 1 January 2019	Statement of changes in net assets: Actuarial gains/(losses) relating to actuarial valuation of employee benefits liabilities	Statement of changes in net assets: Other changes	Statement of financial performance: surplus/(deficit) for the year	Net assets/ (liability) as at 31 December 2019
Interest in joint arrangements: non-current assets					
International Trade Centre (ITC)	16 428	(38 978)	2	3 151	(19 397)
Less: reclassification of the net liability balance for ITC as at 31 December 2019	–	–	–	–	19 397
United Nations System Staff College	2 840	(1 939)	(21)	705	1 585
Vienna International Centre Major Repair and Replacement Fund	1 475	–	75	310	1 860
Total non-current assets	**20 743**	**(40 917)**	**56**	**4 166**	**3 445**
Interest in joint arrangements: non-current liabilities					
Add: reclassification of the net liability balance for ITC as at 31 December 2019	–	–	–	–	(19 397)
United Nations Office at Vienna	(48 289)	19 510	–	(1 107)	(29 886)
Other joint ventures	(28 949)	2 188	–	(6 088)	(32 849)
Total non-current liabilities	**(77 238)**	**21 698**	–	**(7 195)**	**(82 132)**
Net interest in joint arrangements	**(56 495)**	**(19 219)**	**56**	**(3 029)**	**(78 687)**
Net contribution to joint arrangements[a]				74 993	
Statement II: contributions to and share of deficit of joint arrangements accounted for using the equity method				**78 022**	

[a] Represents the 2019 regular budget contribution to the funds accounted for under the joint venture equity method, broken down into $58.919 million to joint financing arrangements, $18.333 million to ITC, $0.150 million to the United Nations System Staff College and $0.620 million to the Vienna International Centre Major Repair and Replacement Fund.

Joint arrangements accounted for using the equity method, as at 31 December 2018

(Thousands of United States dollars)

	Net assets/ (liability) as at 1 January 2018	Statement of changes in net assets: Actuarial gains/(losses) relating to actuarial valuation of employee benefits liabilities	Statement of changes in net assets: Other changes	Statement of financial performance: surplus/(deficit) for the year	Net assets/ (liability) as at 31 December 2018
Interest in joint arrangements: non-current assets					
International Trade Centre (ITC)	3 669	2 050	(3)	10 712	16 428
United Nations System Staff College	2 559	77	–	204	2 840
Vienna International Centre Major Repair and Replacement Fund	1 488	–	(124)	111	1 475
Total non-current assets	**7 716**	**2 127**	**(127)**	**11 027**	**20 743**

	Net assets/ (liability) as at 1 January 2018	Statement of changes in net assets: Actuarial gains/(losses) relating to actuarial valuation of employee benefits liabilities	Statement of changes in net assets: Other changes	Statement of financial performance: surplus/(deficit) for the year	Net assets/ (liability) as at 31 December 2018
Interest in joint arrangements: non-current liabilities					
United Nations Office at Vienna	(51 720)	5 236	–	(1 805)	(48 289)
Other joint ventures	(31 331)	3 912	–	(1 530)	(28 949)
Total non-current liabilities	**(83 051)**	**9 148**	**–**	**(3 335)**	**(77 238)**
Net interest in joint arrangements	**(75 335)**	**11 275**	**(127)**	**7 692**	**(56 495)**
Net contribution to joint arrangements[a]				(77 035)	
Statement II: contributions to and share of deficit of joint arrangements accounted for using the equity method				**(69 343)**	

[a] Represents the 2018 regular budget contribution to the funds accounted for under the joint venture equity method, broken down into $57.6 million to joint financing arrangements, $18.7 million to ITC, $0.2 million to the United Nations System Staff College and $0.5 million to the Vienna International Centre Major Repair and Replacement Fund.

Joint arrangements accounted for using the equity method: non-current assets

176. ITC is a joint venture between the Organization and the World Trade Organization. Accordingly, the Organization’s 50.0 per cent interest, based on its regular budget contribution of $18.3 million in 2019 (2018: $18.7 million), is accounted for using the equity method. A summary of the financial performance and net assets position of ITC is provided below.

177. The United Nations System Staff College was created by the General Assembly to improve the effectiveness of the United Nations system. It runs courses and delivers learning initiatives to United Nations personnel. The College operates on a biennial budget approved by its Board. A core portion of the budget is met by the members of the United Nations System Chief Executives Board for Coordination (CEB) in accordance with the cost-sharing formula decided upon by CEB. For the 2019 core contribution, the Organization’s share is 29.61 per cent (2018: 29.61 per cent). A summary of the financial performance and net assets position of the College is shown below.

178. The Major Repair and Replacement Fund is a jointly financed administrative activity whose contributors are the organizations based at the Vienna International Centre. Its objective is to make major capital improvements to the Centre. The Organization contributed $0.5 million to the Fund in 2019 (2018: $0.5 million), which represents 11.38 per cent of the total revenue received by the Fund in 2019 (2018: 11.32 per cent). A summary of the financial performance and net assets position of the Fund are presented below.

179. Annual contributions made by the Organization to the Major Repair and Replacement Fund may be used to acquire or upgrade physical assets required for major capital improvements to the Vienna International Centre. The Organization had not entered into any other capital commitments in relation to its interests in joint ventures as at 31 December 2019.

Joint arrangements accounted for using the equity method: non-current liabilities

180. The jointly financed administrative activities are established under binding agreements as follows:

(a) **United Nations Office at Vienna**: jointly financed administrative activities of the United Nations in Vienna consist of three activities, each of which has a cost-sharing agreement:

(i) Safety and security;

(ii) Access control programme of the Vienna International Centre shooting range;

(iii) Conference and administrative services;

(b) **Safety and security**: the Department of Safety and Security is a single security management framework responsible for providing leadership, operational support and oversight of the security management system, ensuring the maximum security for staff and eligible dependants and enabling the safest and most efficient conduct of the programmes and activities of the United Nations system;

(c) **International Civil Service Commission (ICSC)**: ICSC is an independent expert body established by the General Assembly with a mandate to regulate and coordinate the conditions of service of staff in the United Nations common system while promoting and maintaining high standards in the international civil service;

(d) **Joint Inspection Unit**: the Joint Inspection Unit is an independent external oversight body of the United Nations system established by the General Assembly to conduct evaluations, inspections and investigations system-wide;

(e) **CEB secretariat**: CEB is the longest-standing and highest-level coordination forum of the United Nations system. It was established as a standing committee of the Economic and Social Council and is chaired by the Secretary-General. While not a policymaking body, CEB supports and reinforces the coordinating role of intergovernmental bodies of the United Nations system on social, economic and related matters.

181. These jointly financed administrative activities have the same reporting period as the Organization and are accounted for using the equity method. The Organization's interest in these activities is its share of their net liabilities, which is based on the funding apportionment percentage. These cost-sharing ratios reflect key factors, such as the number of employees and the total space occupied and are included in the statement of financial performance and statement of financial position tables below.

Joint arrangements accounted for using the equity method: financial statements

Joint arrangements accounted for using the equity method: statement of financial position as at 31 December 2019

(Thousands of United States dollars)

	International Trade Centre	*United Nations System Staff College*	*Vienna International Centre Major Repair and Replacement Fund*	*United Nations Office at Vienna*	*Other*	*Total*
Current assets	214 950	22 453	17 045	6 809	27 910	289 167
Non-current assets	147 415	1 016	–	583	9 636	158 650
Total assets	**362 365**	**23 469**	**17 045**	**7 392**	**37 546**	**447 817**
Current liabilities	(72 174)	(2 937)	(696)	(8 008)	(22 948)	(106 763)
Non-current liabilities	(328 987)	(15 178)	–	(47 988)	(152 478)	(544 631)
Total liabilities	**(401 161)**	**(18 115)**	**(696)**	**(55 996)**	**(175 426)**	**(651 394)**
Net of total assets and total liabilities	**(38 796)**	**5 354**	**16 349**	**(48 604)**	**(137 880)**	**(203 577)**
Net assets: accumulated surplus/(deficit)	**(38 796)**	**5 354**	**16 349**	**(48 604)**	**(137 880)**	**(203 577)**

Joint arrangements accounted for using the equity method: statement of financial performance as at 31 December 2019

(Thousands of United States dollars)

	International Trade Centre	*United Nations System Staff College*	*Vienna International Centre Major Repair and Replacement Fund*	*United Nations Office at Vienna*	*Other*	*Total*
Revenue	125 253	13 859	5 342	47 510	136 746	328 710
Expenses	(118 952)	(11 478)	(2 615)	(49 187)	(152 825)	(335 057)
Surplus/(deficit) for the year	**6 301**	**2 381**	**2 727**	**(1 677)**	**(16 079)**	**(6 347)**
Net assets/(liabilities) at beginning of year	**32 856**	**9 591**	**13 030**	**(78 655)**	**(130 987)**	**(154 165)**
Surplus/(deficit) for the year	6 301	2 381	2 727	(1 677)	(16 079)	(6 347)
Actuarial gains/(losses) on employee benefits liabilities	(77 956)	(6 549)	–	31 729	9 187	(43 589)
Other changes in net assets	3	(69)	592	–	–	526
Net assets/(liabilities) at year end	**(38 796)**	**5 354**	**16 349**	**(48 603)**	**(137 879)**	**(203 575)**
Organization's interest in the joint arrangements (percentage)	**50.00**	**29.61**	**11.38**	**61.49**	**23.82**	
Share of surplus/(deficit) for the year	3 151	705	310	(1 107)[a]	(6 088)[b]	(3 029)
Share of actuarial gains/(losses) recognized directly in net assets	(38 978)	(1 939)	–	19 510	2 188	(19 219)
Share of other changes in net assets	2	(21)	75	–	–	56
Share of net assets/(liabilities) at year end	**(19 397)**	**1 585**	**1 860**	**(29 886)**	**(32 849)**	**(78 687)**

[a] Adjusted to reflect a change in the interest of the Organization from 61.39 per cent in 2018 to 61.49 per cent in 2019.
[b] Adjusted to reflect a change in the interest of the Organization from 22.10 per cent in 2018 to 23.82 per cent in 2019.

Joint arrangements accounted for using the equity method: statement of financial position as at 31 December 2018

(Thousands of United States dollars)

	International Trade Centre	*United Nations System Staff College*	*Vienna International Centre Major Repair and Replacement Fund*	*United Nations Office at Vienna*	*Other*	*Total*
Current assets	161 637	14 534	15 176	11 937	39 571	242 855
Non-current assets	111 925	5 176	–	532	7 569	125 202
Total assets	**273 562**	**19 710**	**15 176**	**12 469**	**47 140**	**368 057**
Current liabilities	(45 982)	(1 910)	(2 146)	(14 317)	(26 607)	(90 962)
Non-current liabilities	(194 724)	(8 209)	–	(76 807)	(151 520)	(431 260)
Total liabilities	**(240 706)**	**(10 119)**	**(2 146)**	**(91 124)**	**(178 127)**	**(522 222)**
Net of total assets and total liabilities	**32 856**	**9 591**	**13 030**	**(78 655)**	**(130 987)**	**(154 165)**
Net assets: accumulated surplus/(deficit)	**32 856**	**9 591**	**13 030**	**(78 655)**	**(130 987)**	**(154 165)**

Joint arrangements accounted for using the equity method: statement of financial performance as at 31 December 2018

(Thousands of United States dollars)

	International Trade Centre	*United Nations System Staff College*	*Vienna International Centre Major Repair and Replacement Fund*	*United Nations Office at Vienna*	*Other*	*Total*
Revenue	120 111	11 755	5 500	45 406	139 889	322 661
Expenses	(98 687)	(9 742)	(4 521)	(47 603)	(145 443)	(305 996)
Surplus/(deficit) for the year	**21 424**	**2 013**[a]	**979**	**(2 197)**	**(5 554)**	**16 665**
Net assets/(liabilities) at beginning of year	**7 337**	**8 644**	**13 144**	**(84 987)**	**(143 130)**	**(198 992)**
Surplus/(deficit) for the year	21 424	688[a]	979	(2 197)	(5 554)	15 340
Actuarial gains/(losses) on employee benefits liabilities	4 100	259	–	8 529	17 697	30 585
Other changes in net assets	(5)	–	(1 093)	–	–	(1 098)
Net assets/(liabilities) at year end	**32 856**	**9 591**	**13 030**	**(78 655)**	**(130 987)**	**(154 165)**
Organization's interest in the joint arrangements (percentage)	**50.00**	**29.61**	**11.32**	**61.39**	**22.10**	
Share of surplus/(deficit) for the year	10 712	204	111	(1 805)[b]	(15 302)[c]	7 692
Share of actuarial gains/(losses) recognized directly in net assets	2 050	77	–	5 236	3 912	11 275
Share of other changes in net assets	(3)	–	(124)	–	–	(127)
Share of net assets/(liabilities) at year end	**16 428**	**2 840**	**1 475**	**(48 289)**	**(28 949)**	**(56 495)**

[a] Surplus includes an adjustment of $1.3 million related to the prior year.
[b] Adjusted to reflect a change in the interest of the Organization from 60.85 per cent in 2017 to 61.39 per cent in 2018.
[c] Adjusted to reflect a change in the interest of the Organization from 21.89 per cent in 2017 to 22.10 per cent in 2018.

Note 24
Net assets

Net assets as at 31 December

(Thousands of United States dollars)

	General Fund and related funds	*Trust funds*	*Long-term employee benefits funds*	*Insurance/workers' compensation funds*	*Other funds*	*Total*
Net assets as at 31 December 2017	**321 520**	**2 956 564**	**(4 942 516)**	**556 320**	**3 251 350**	**2 143 238**
Changes in net assets						
Actuarial gains/(losses) on employee benefits liabilities (note 18)	2 353	–	527 909	258	–	530 520
Share of changes recognized by joint ventures directly in net assets (note 23)	11 272	–	–	–	(124)	11 148
Consolidation of the financial statements of the African Institute for Economic Development and Planning	–	5 879	–	–	–	5 879
Surplus/(deficit) for the year	(100 558)	829 687	(165 269)	16 501	(57 251)	523 110
Total changes in net assets	**(86 933)**	**835 566**	**362 640**	**16 759**	**(57 375)**	**1 070 657**
Net assets as at 31 December 2018	**234 587**	**3 792 130**	**(4 579 876)**	**573 079**	**3 193 975**	**3 213 895**
Changes in net assets						
Actuarial gains/(losses) on employee benefits liabilities (note 18)	(3 481)	–	(1 020 877)	(2 252)	–	(1 026 610)
Share of changes recognized by joint ventures directly in net assets (note 23)	(19 238)	–	–	–	75	(19 163)
Other adjustments to net assets	6 687	–	–	–	3 238	9 925
Surplus/(deficit) for the year	25 433	276 393	(141 334)	37 189	52 476	250 157
Total changes in net assets	**9 401**	**276 393**	**(1 162 211)**	**34 937**	**55 789**	**(785 691)**
Net assets as at 31 December 2019	**243 988**	**4 068 523**	**(5 742 087)**	**608 016**	**3 249 764**	**2 428 204**

Net assets as at 31 December 2019

(Thousands of United States dollars)

	Accumulated surplus/deficit	*Reserves*	*Total net assets*
General Fund and related funds	243 988	–	243 988
Trust funds	4 068 523	–	4 068 523
Long-term employee benefits funds	(5 742 087)	–	(5 742 087)
Insurance/workers’ compensation funds	552 566	55 450	608 016
Other funds	3 249 764	–	3 249 764
Total net assets	**2 372 754**	**55 450**	**2 428 204**

Net assets as at 31 December 2018

(Thousands of United States dollars)

	Accumulated surplus/deficit	*Reserves*	*Total net assets*
General Fund and related funds	234 587	–	234 587
Trust funds	3 792 130	–	3 792 130
Long-term employee benefits funds	(4 579 876)	–	(4 579 876)
Insurance/workers’ compensation funds	528 409	44 670	573 079
Other funds	3 193 975	–	3 193 975
Total net assets	**3 169 225**	**44 670**	**3 213 895**

Accumulated surplus

182. The accumulated surplus includes the accumulated surplus of the General Fund and related funds, trust funds, after-service employee benefits funds, self-insurance plan funds and other funds. Self-insurance plans are recorded fully in the financial statements since the Organization acts as the principal.

Reserves

183. Reserves comprise a premium stabilization reserve amounting to $1.4 million (2018: $1.4 million) with regard to the United Nations Group Staff Life Insurance Reserve Fund, and $54.1 million (2018: $43.3 million) held for the United Nations Staff Mutual Insurance Society against Sickness and Accidents, which is required under its statute to maintain a reserve balance.

United Nations Special Account

184. Under the provisions of General Assembly resolutions 2053 A (XX) of 15 December 1965 and 3049 A (XXVII) of 19 December 1972, the Special Account has received voluntary contributions from Member States and private donors in order to overcome the financial difficulties of the United Nations and to resolve the Organization’s short-term deficit. The year-end balance was $205.6 million (2018: $202.7 million), of which $48.7 million (2018: $48.7 million) relates to the Fund principal from contributions and $156.9 million (2018: $153.9 million) to accumulated surplus. The Special Account is reported under the General Fund and related funds.

Note 25
Revenue from non-exchange transactions

Assessed contributions

185. Assessed contributions of $3,010.3 million (2018: $2,788.1 million) have been recorded in accordance with the Financial Regulations and Rules of the United Nations, the relevant resolutions of the General Assembly and the policies of the United Nations, on the basis of the regular budget scale of assessment. A reconciliation of assessed contributions to gross amounts assessed to Member States is presented below.

Assessed contributions

(Thousands of United States dollars)

	2019	*2018*
Gross amount assessed to Member States[a]	3 064 576	2 688 128
Additional assessment[b]	(141 410)	(61 588)
Additional appropriation approved for the year[c]	58 390	141 410
Utilization of provisions set up in 2017 for unencumbered balances of 2016–2017 appropriations[d]	28 571	–
Cancellation of prior-period obligations for the biennium 2014–2015 recorded in 2017 and utilized in 2018[e]	–	45 243
Cancellation of biennium 2016–2017 commitments	–	(25 192)
Non-member States assessments	125	97
Amount reported in statement II: assessed contributions	**3 010 252**	**2 788 097**

[a] In accordance with General Assembly resolution 73/280 C and ST/ADM/SER.B/992 for 2019 and General Assembly resolution 72/263 C and ST/ADM/SER.B/973 for 2018.
[b] 2019 adjustment pertains to the year 2018 and 2018 adjustment pertains to the year 2017.
[c] In accordance with General Assembly resolutions 73/279 B and 73/306 for 2019 and General Assembly resolutions 72/262 C, 72/266 B and 73/280 A to C for 2018.
[d] Utilized in 2019 in accordance with General Assembly resolution 73/280 C.
[e] Utilized in 2018 in accordance with General Assembly resolution 72/263 C.

Voluntary contributions

(Thousands of United States dollars)

	2019	*2018*
Voluntary monetary contributions	2 944 877	3 276 355
Voluntary in-kind contributions	93 679	83 606
Total voluntary contributions	3 038 556	3 359 961
Refunds	(11 786)	(33 655)
Net voluntary contributions	**3 026 770**	**3 326 306**

186. During 2019, the total amount of voluntary contributions in kind recognized for right-to-use arrangements was $71.8 million (2018: $72.0 million) and voluntary contributions in kind recognized for donated assets was $21.9 million (2018: $11.5 million).

187. The total amount of donor pledges or agreements that have not been formalized or that were subject to fundraising activities as at 31 December 2019 is $32.4 million (2018: $62.7 million).

188. Saudi Arabia and the United Arab Emirates contributed $500.0 million and $100.0 million, respectively, to the Office for the Coordination of Humanitarian Affairs to support the United Nations Yemen humanitarian response plan through a pass-through arrangement. Under the arrangement, the funds are transferred to implementing partners (see note 28, para. 202). The Organization acts as an agent, and a support cost of $6.5 million and allocation to the Office for the Coordination of Humanitarian Affairs of $20.0 million are reported as voluntary contribution revenue.

189. On 11 July 2018, the Secretariat created a special purpose trust fund for the reinvigorated resident coordinator system to manage transparently all financial transactions of the new resident coordinator system, further to the mandates provided in General Assembly resolution 72/279 on the repositioning of the United Nations development system. The purpose of the special purpose trust fund is to account for all financial transactions of the new resident coordinator system, including revenue from all sources and all posts and non-post costs. The trust fund will account for activities derived from the mandates of Assembly resolution 72/279 pertaining specifically to the new development coordination system. Contributions to the trust fund are made in accordance with paragraph 10 of Assembly resolution 72/279, with an emphasis on adequate, predictable and sustainable funding of the resident coordinator system through voluntary, predictable, multi-year contributions (2019: $82.0 million), doubling the previous year's United Nations Sustainable Development Group cost-sharing arrangement among United Nations development system entities (2019: $72.5 million) and a 1 per cent levy on tightly earmarked third party non-core contributions to United Nations development-related activities (2019: $29.8 million).

190. Voluntary monetary contributions include $6.3 million (2018: $4.1 million) relating to assessments for conferences of States parties to treaties and conventions, which are levied on the basis of agreements among the States parties to the respective treaty or convention, and $546.6 million (2018: $465.2 million) in consolidated voluntary contributions to the UNDP multi-partner trust fund.

191. All voluntary contributions under binding agreements signed during 2019 are recognized as revenue in 2019, including the future portion of multi-year agreements. For the recognized contribution revenue, a breakdown of the amount intended to be contributed by donors per year is shown below.

(Thousands of United States dollars)

	Voluntary contribution
2019	2 382 644
2020	368 963
2021	203 863
2022	45 145
2023	26 061
Beyond 2023	11 880
Total voluntary contributions	**3 038 556**

Other transfers and allocations

(Thousands of United States dollars)

	2019	*2018*
Inter-organizational arrangements	89 963	36 638
Other transfers and allocations	37 009	–
Total other transfers and allocations	**126 972**	**36 638**

Services in kind

192. In-kind contributions of technical assistance, experts, security and other services received during the year are not recognized as revenue and therefore are not included in the in-kind contributions revenue reflected above. In-kind technical assistance/expert services and other in-kind services received by the Organization during the year amounted to $7.42 million (2018: $9.01 million).

Note 26
Other revenue

(Thousands of United States dollars)

	2019	*2018*
Revenue from services rendered	151 414	144 498
Rental income	32 864	29 245
Revenue-producing activities and other miscellaneous revenue	37 208	26 412
Total other revenue	**221 486**	**200 155**

193. Revenue from services rendered comprises revenue generated from software support and maintenance, training and consultancy services provided to external parties. Revenue-producing activities includes revenue from sales of publications, books and stamps. Miscellaneous revenue derives mainly from net exchange gains, sale of equipment and inventories and donation of fixed assets.

Note 27
Health and dental self-insurance plans

194. Health and dental insurance plans were established as part of the social security scheme for United Nations staff and retirees. Most of the plans are self-insured and most are managed in two locations:

(a) Headquarters in New York manages the United States-based health and dental plans, the worldwide plan for internationally recruited field staff and retirees and the medical insurance plan for locally recruited field staff and retirees at designated duty stations, as well as staff and retirees of certain United Nations entities and agencies;

(b) The United Nations Office at Geneva manages the United Nations Staff Mutual Insurance Society against Sickness and Accidents for United Nations staff and retirees in Geneva, as well as staff and retirees of other organizations mostly based in Geneva.

195. There are also fully insured health insurance plans. At Headquarters, there is the health insurance plan of New York, which has been closed to new subscribers. In

Vienna, staff and retirees are eligible to enrol in the Austrian national health insurance programme and the plans administered by the United Nations Industrial Development Organization (full medical insurance plan and supplementary medical insurance plan). In those instances, premiums collected from staff, retirees and the Organization are recorded as liabilities and paid to the respective insurance providers.

196. In the case of self-insurance plans, the Organization and the participating subscribers assume the financial risk of providing health insurance to members. These health insurance plans include:

(a) United States-based medical plans, comprising Empire Blue Cross and Aetna, and the Cigna dental plan;

(b) Worldwide plan for internationally recruited field staff and retirees, administered by Cigna International;

(c) Medical insurance plan for locally recruited staff and retirees at designated duty stations;

(d) United Nations Staff Mutual Insurance Society against Sickness and Accidents for United Nations staff and retirees in Geneva, as well as staff and retirees of other Geneva-based organizations.

197. The plans are administered by third-party administrators on behalf of the Organization or, as in the case of the United Nations Staff Mutual Insurance Society against Sickness and Accidents, are self-administered.

198. The Organization is responsible for administering or appointing the administrators of the plans and acts as the principal for the self-insurance arrangements. External entities and agencies that participate in the Organization's health and dental insurance plans contribute only premiums and have no control over the plans. Such entities include: United Nations Children's fund, UNDP, United Nations Office for Project Services, UNEP, International Residual Mechanism for Criminal Tribunals, United Nations Framework Convention on Climate Change, United Nations Joint Staff Pension Fund, ITC, UN-Habitat, UNODC, UNRWA, International Centre for Genetic Engineering and Biotechnology, United Nations Educational, Scientific and Cultural Organization and UNHCR. The statement of financial performance and statement of financial position for the self-insurance funds are shown below.

Self-insurance funds: statement of financial position as at 31 December 2019

(Thousands of United States dollars)

	Blue Cross, Aetna and Cigna health plans	*Medical insurance plan for field local staff*	*United Nations Staff Mutual Insurance Society against Sickness and Accidents*	*Total*
Assets				
Cash and cash equivalents	81 553	9 633	51 188	142 374
Investments	223 120	26 190	150 400	399 710
Other receivables	32 554	–	2 901	35 455
Other assets	8 118	1 170	527	9 815
Total assets	**345 345**	**36 993**	**205 016**	**587 354**

	Blue Cross, Aetna and Cigna health plans	*Medical insurance plan for field local staff*	*United Nations Staff Mutual Insurance Society against Sickness and Accidents*	*Total*
Liabilities				
Accounts payable and accrued liabilities	24 406	3 214	68	27 688
Employee benefits liabilities	11 558	12	4 449	16 019
Advance receipts	2	–	–	2
Provisions	56 027	7 004	36 000	99 031
Total liabilities	**91 993**	**10 230**	**40 517**	**142 740**
Net of total assets and total liabilities	**253 352**	**26 763**	**164 499**	**444 614**
Net assets				
Accumulated surplus	253 352	26 763	110 449	390 564
Reserves	–	–	54 050	54 050
Total net assets	**253 352**	**26 763**	**164 499**	**444 614**

Self-insurance funds: statement of financial performance for the year ended 31 December 2019

(Thousands of United States dollars)

	Blue Cross, Aetna and Cigna health plans	*Medical insurance plan for field local staff*	*United Nations Staff Mutual Insurance Society against Sickness and Accidents*	*Total*
Revenue				
Investment revenue	7 824	972	11 176	19 972
Contributions for self-insurance funds	437 464	31 658	120 908	590 030
Total revenue	**445 288**	**32 630**	**132 084**	**610 002**
Expenses				
Self-insurance claims and expenses	408 060	35 321	105 632	549 013
Employee salaries, allowances and benefits	10 276	448	4 565	15 289
Supplies and consumables	–	–	12	12
Depreciation and amortization	–	–	28	28
Travel	–	–	5	5
Other operating expenses	20 734	2 028	(706)	22 056
Total expenses	**439 070**	**37 797**	**109 536**	**586 403**
Surplus/(deficit) for the year	**6 218**	**(5 167)**	**22 548**	**23 599**

Self-insurance funds: statement of financial position as at 31 December 2018

(Thousands of United States dollars)

	Blue Cross, Aetna and Cigna health plans	*Medical insurance plan for field local staff*	*United Nations Staff Mutual Insurance Society against Sickness and Accidents*	*Total*
Assets				
Cash and cash equivalents	27 937	4 078	33 458	65 473
Investments	258 123	37 678	146 247	442 048
Other receivables	16 166	–	2 941	19 107
Other assets	19 494	1 212	346	21 052
Total assets	**321 720**	**42 968**	**182 992**	**547 680**
Liabilities				
Accounts payable and accrued liabilities	1 993	877	184	3 054
Employee benefits liabilities	16 101	3	4 372	20 476
Advance receipts	2	–	1 024	1 026
Provisions	56 490	10 157	35 460	102 107
Total liabilities	**74 586**	**11 037**	**41 040**	**126 663**
Net of total assets and total liabilities	**247 134**	**31 931**	**141 952**	**421 017**
Net assets				
Accumulated surplus	247 134	31 931	98 682	377 747
Reserves	–	–	43 270	43 270
Total net assets	**247 134**	**31 931**	**141 952**	**421 017**

Self-insurance funds: statement of financial performance for the year ended 31 December 2018

(Thousands of United States dollars)

	Blue Cross, Aetna and Cigna health plans	*Medical insurance plan for field local staff*	*United Nations Staff Mutual Insurance Society against Sickness and Accidents*	*Total*
Revenue				
Investment revenue	5 470	993	267	6 730
Contributions for self-insurance funds	424 087	32 315	118 919	575 321
Total revenue	**429 557**	**33 308**	**119 186**	**582 051**
Expenses				
Self-insurance claims and expenses	389 239	42 926	110 369	542 534
Employee salaries, allowances and benefits	8 633	569	4 160	13 362
Supplies and consumables	–	–	16	16
Depreciation and amortization	–	–	37	37
Travel	–	–	7	7
Other operating expenses	18 892	2 070	1 154	22 116
Total expenses	**416 764**	**45 565**	**115 743**	**578 072**
Surplus/(deficit) for the year	**12 793**	**(12 257)**	**3 443**	**3 979**

Note 28
Expenses

Employee salaries, allowances and benefits

199. Employee salaries include international, national and general temporary staff salaries, post adjustment and staff assessment. The allowances and benefits include other staff entitlements, including pension and insurance subsidies and staff assignment, repatriation, hardship and other allowances.

(Thousands of United States dollars)

	2019	*2018*
Salary and wages	2 193 180	2 077 421
Pension and insurance benefits	477 269	442 857
Other benefits	34 376	22 876
Total employee salaries, allowances and benefits	**2 704 825**	**2 543 154**

Grants and other transfers

200. Grants and other transfers include outright grants and transfers to implementing agencies, partners and other entities, as well as quick-impact projects. The grant and other transfers expenses incurred by the major funds utilizing the various grant-out mechanisms are listed below.

(Thousands of United States dollars)

	2019	*2018*
Trust fund for strengthening the Office of the Emergency Relief Coordinator[a]	893 735	809 275
Central Emergency Response Fund	527 299	491 949
United Nations General Fund[b]	181 781	221 725
Trust fund for the Peacebuilding Support Office[a]	155 002	146 487
Voluntary trust fund for assistance in mine action	104 953	95 294
Trust fund for the Junior Professional Officers programme of the Department of Economic and Social Affairs	8 611	8 386
Trust fund in support of peace and security in Mali	8 571	7 761
United Nations Voluntary Fund for Victims of Torture	8 178	12 028
Total major funds that incurred expenses of grants and other transfers	**1 888 130**	**1 792 905**
Other funds	88 307	26 322
Total grants and other transfers[a]	**1 976 437**	**1 819 227**

[a] Includes grants and transfers to implementing partners through the multi-partner trust funds of $472.3 million (2018: $362.0 million).
[b] Includes grants provided to related party entities (note 31).

201. Expenses of outright grants are recognized when the Organization has a binding obligation to pay, primarily upon signing of the agreement by both parties. Transfers to executing agencies or implementing partners are recognized as an expense when funds are disbursed by the Organization.

202. The Office for the Coordination of Humanitarian Affairs entered into a pass-through arrangement with Saudi Arabia and the United Arab Emirates to support the United Nations Yemen humanitarian response plan. Of the total funding of $600 million received (see note 25, para. 188), $573.5 million was transferred to implementing partners. In accordance with the United Nations policy framework for IPSAS, under the pass-through arrangements, where the Organization acts as an agent, transfers of funds to implementing partners are not recorded as an expense. A breakdown of amounts allocated to implementing partners is shown below.

Transfers to implementing partners from the voluntary contributions from Saudi Arabia and the United Arab Emirates

(Thousands of United States dollars)

	2019
World Food Programme	282 591
United Nations Children's Fund	107 355
World Health Organization	104 354
International Organization for Migration	40 613
Office of the United Nations High Commissioner for Refugees	18 821
Food and Agriculture Organization of the United Nations	9 907
United Nations Development Programme	9 906
Total transfers	**573 547**
Amount allocated to the Organization (note 25)	20 000
Support costs charged by the Organization (note 25)	6 453
Total voluntary contributions	**600 000**

Other operating expenses

203. Other operating expenses include maintenance, utilities, contracted services, training, security services, shared services, rent, insurance and allowances for doubtful receivables.

(Thousands of United States dollars)

	2019	*2018*
Rent – offices and premises[a]	178 655	163 415
Rental – other	6 237	4 962
Bad debt/doubtful debt expenses	40 527	64 683
Net foreign exchange losses	5 390	41 138
Other[b]	496 508	457 870
Total other operating expenses	**727 317**	**732 068**

[a] Includes contributions in kind for donated right-to-use arrangements.
[b] Includes contracted services, acquisition of goods relating to items not meeting the capitalization thresholds, maintenance expenses and other expenses.

Other expenses

204. Other expenses relate to ex gratia and compensation claims and other miscellaneous expenses.

(Thousands of United States dollars)

	2019	*2018*
Ex gratia and compensation claims	770	525
Other/miscellaneous expenses	1 986	716
Total other expenses	**2 756**	**1 241**

Note 29
Financial instruments and financial risk management

Summary of financial instruments

(Thousands of United States dollars)

	Reference	*31 December 2019*	*31 December 2018*
Financial assets			
Fair value through the surplus or deficit			
Short-term investments: main pool[a]	Notes 7 and 30	2 254 148	2 909 570
Short-term investments: United Nations Staff Mutual Insurance Society against Sickness and Accidents	Note 7	16 765	3 947
Derivative instruments: currency forward contracts	Note 7	7 987	–
Total short-term investments		**2 278 900**	**2 913 517**
Long-term investments: main pool	Notes 7 and 30	702 138	225 362
Long-term investments: United Nations Staff Mutual Insurance Society against Sickness and Accidents	Note 7	70 835	48 512
Total long-term investments		**772 973**	**273 874**
Total fair value through the surplus or deficit investments		**3 051 873**	**3 187 391**
Cash and cash equivalents			
Cash and cash equivalents: main pool	Notes 7 and 30	1 080 506	339 296
Cash and cash equivalents: euro pool	Notes 7 and 30	5 580	5 706
Cash and cash equivalents: United Nations Staff Mutual Insurance Society against Sickness and Accidents	Note 6	22 148	7 254
Cash and cash equivalents – other	Note 6	2 763	13 986
Total cash and cash equivalents		**1 110 997**	**366 242**
Receivables from exchange and non-exchange transactions and loans			
Assessed contributions	Note 8	441 290	378 402
Voluntary contributions	Note 9	1 459 661	1 541 634
Other receivables	Note 10	137 004	123 088
Other assets (excluding advances and deferred charges)	Note 12	275	281
Total of cash and cash equivalents, receivables from exchange and non-exchange transactions and loans		**3 149 227**	**2 409 647**
Total carrying amount of financial assets		**6 201 100**	**5 597 038**

	Reference	*31 December 2019*	*31 December 2018*
Of which relates to financial assets held in main pool	Note 30	4 036 792	3 474 228
Of which relates to financial assets held in euro pool	Note 30	5 580	5 706
Of which relates to financial assets held in the United Nations Staff Mutual Insurance Society against Sickness and Accidents	Note 30	109 748	59 713
Financial liabilities at amortized cost			
Accounts payable and accrued liabilities	Note 16	488 043	383 879[b]
Transfers payable	–	592	2 758[b]
Tax Equalization Fund liability	Note 20	182 595	150 873
Other liabilities	Note 21	85 045	46 492
Total carrying amount of financial liabilities		**756 275**	**584 002**
Summary of net revenue from financial assets			
Net cash pool revenue		98 157	66 195
Net United Nations Staff Mutual Insurance Society against Sickness and Accidents gain/(loss)		8 625	(1 603)
Other investment revenue		7 591	5 102
Total net revenue from financial assets		**114 373**	**69 694**

[a] Short-term investments include accrued investment revenue of $16.4 million (2018:13.7 million) and $0.160 million (2018: $0.166 million) for the main pool and the United Nations Staff Mutual Insurance Society against Sickness and Accidents, respectively.
[b] Restated to conform to the current year presentation.

Financial risk management

Overview

205. The Organization has exposure to the following financial risks:

(a) Credit risk;

(b) Liquidity risk;

(c) Market risk.

206. The present note and note 30 (Financial instruments: cash pools) present information on the Organization’s exposure to those risks, the objectives, policies and processes for measuring and managing risk, and the management of capital.

Risk management framework

207. The Organization’s risk management practices are in accordance with its Financial Regulations and Rules and Investment Management Guidelines. The Organization defines the capital that it manages as the aggregate of its net assets, which comprises accumulated fund balances and reserves. Its objectives are to safeguard its ability to continue as a going concern and to fund its asset base. The Organization manages its capital in the light of global economic conditions, the risk characteristics of the underlying assets and its current and future working capital requirements.

Financial risk management: credit risk

208. Credit risk is the risk of financial loss resulting from a counterparty to a financial instrument failing to meet its contractual obligations. Credit risk arises from cash and cash equivalents, investments, deposits and forward currency contracts with financial institutions, as well as credit exposure to outstanding receivables. The carrying value of financial assets is the maximum exposure to credit risk.

209. The investment management function is centralized at the United Nations Treasury. Other areas are not permitted, in normal circumstances, to engage in investing. An area may receive exceptional approval when conditions warrant investing locally under specified parameters that comply with the Investment Management Guidelines.

Credit risk: contributions receivable and other receivables

210. A large portion of the contributions receivable is due from sovereign Governments and supranational agencies, including other United Nations entities that do not have significant credit risk. The maximum exposure to credit risk of financial assets equals their carrying amount. As at the reporting date, the Organization held no collateral as security for receivables.

Credit risk: allowance for doubtful receivables

211. The Organization evaluates the allowance for doubtful receivables at each reporting date. An allowance is established when there is objective evidence that the Organization will not collect the full amount due. Management-approved write-offs under the Financial Regulations and Rules or reversals of previously impaired receivables are recognized directly in the statement of financial performance. The movement in the allowances account during the year is shown below.

Movement in the allowance for doubtful receivables

(Thousands of United States dollars)

	Allowance for doubtful receivables			
	Assessed contributions	*Voluntary contributions*	*Other receivables*	*Total*
As at 31 December 2017	**608 255**	**397 1**	**879 52**	**309 884**
Bad debt/doubtful debt expenses	59 710	2 368	2 158	64 236
Amounts written off	–	–	(1 485)	(1 485)
Other adjustments	–	15 412	–	15 412
As at 31 December 2018	**315 318**	**19 177**	**53 552**	**388 047**
Bad debt/doubtful debt expenses	36 817	5 148	(174)	41 791
Amounts written off		(5 967)	(313)	(6 280)
Other adjustments				–
As at 31 December 2019	**352 135**	**18 358**	**53 065**	**423 558**

Amounts written off

(Thousands of United States dollars)

Fund/activity	*2019*	*2018*
United Nations General Fund and related funds	195	927
Trust funds	5 967	3
Other funds	118	555
Total	**6 280**	**1 485**

212. The ageing and associated allowance of assessed contributions receivable is as shown below.

Ageing of assessed contributions receivable

(Thousands of United States dollars)

	31 December 2019		*31 December 2018*	
	Gross receivable	*Allowance*	*Gross receivable*	*Allowance*
Less than one year	468 252	36 773	425 011	59 578
One to two years	69 265	59 578	31 961	19 024
More than two years	255 908	255 784	236 748	236 716
Total	**793 425**	**352 135**	**693 720**	**315 318**

213. The ageing and associated allowance of receivables other than assessed contributions is as shown below.

Ageing of voluntary contribution and other receivables

(Thousands of United States dollars)

	31 December 2019		*31 December 2018*	
	Gross receivable	*Allowance*	*Gross receivable*	*Allowance*
Neither past due nor impaired	1 262 222	–	1 349 102	–
Less than one year	327 498	–	304 599	–
One to two years	6 633	1 655	11 794	2 948
Two to three years	4 944	2 980	5 437	3 262
More than three years	66 791	66 788	66 519	66 519
Total	**1 668 088**	**71 423**	**1 737 451**	**72 729**

Credit risk: cash and cash equivalents

214. At year end, the Organization had cash and cash equivalents of $1,110.3 million (2018: $366.2 million), which is the maximum credit exposure on those assets.

Credit risk: currency forward contracts

215. The counterparty risk of forward contracts is limited to the profit or loss on the contract, not the notional amount. The outstanding forward contracts were performed with three banks. As at year end, the counterparties had a Fitch viability rating of "a".

Credit risk: investments of the United Nations Staff Mutual Insurance Society against Sickness and Accidents

216. The United Nations Treasury makes investments on behalf of the United Nations Staff Mutual Insurance Society against Sickness and Accidents. A significant proportion of those investments is in fixed-income securities comprising supranational securities, government agency securities, government securities and corporates. A portion of the Society investment portfolio is also invested in iShares SMI (Switzerland), an exchange-traded fund, with the aim of achieving a return on investment that reflects the return of its benchmark index, the Swiss Market Index. At year end, the Organization owned 383,100 shares of iShares SMI (Switzerland).

217. The credit ratings used are those determined by major credit-rating agencies: S&P Global Ratings, Moody's and Fitch are used to rate bonds and discounted instruments, and the Fitch viability rating is used to rate bank term deposits. At year end, the United Nations Staff Mutual Insurance Society against Sickness and Accidents credit ratings, determined by major credit-rating agencies, were as shown below.

United Nations Staff Mutual Insurance Society against Sickness and Accidents investments credit ratings

(Percentage)

	Ratings as at 31 December 2019				*Ratings as at 31 December 2018*			
Bonds (long-term ratings)								
	AAA	*AA+/AA+u/AA-*	*A+/A*	*Not rated*	*AAA*	*AA/AA+/AA-*	*A*	*Not rated*
S&P Global Ratings	2.4	72.8	23.7	1.1		83.6	16.4	
Fitch		64.3	13.2	22.5	4.1	43.6	26.6	25.7
	Aaa	*Aa1/Aa2/Aa3*	*A1*	*Not rated*	*Aaa*	*Aa1/Aa3*	*A1*	*Not rated*
Moody's	1.2	85.7	13.1		6.2	93.8		

Financial risk management: liquidity risk

218. Liquidity risk is the risk that the Organization might not have adequate funds to meet its obligations as they fall due. The Organization's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Organization's reputation.

219. The Financial Regulations and Rules of the United Nations require that expenses be incurred after the receipt of funds from donors, thereby considerably reducing the liquidity risk with regard to contributions, which are a largely stable annual cash flow. Exceptions to incurring expenses before the receipt of funds are permitted only if specified risk management criteria are adhered to with regard to amounts receivable.

220. The Organization performs cash flow forecasting and monitors rolling forecasts of liquidity requirements to ensure that there is sufficient cash to meet operational needs. Investments are made with due consideration to the cash requirements for operating purposes based on cash flow forecasting. The Organization maintains a large portion of its investments in cash equivalents and short-term investments sufficient to cover its commitments as and when they fall due.

221. The periodic cash shortage in the regular budget persisted in 2019 and the regular budget fund had to borrow from the Working Capital Fund and the Special Account during the year. As at 31 December 2019, the loans payable to the Working Capital Fund and the Special Account were $150.0 million and $182.3 million, respectively (2018: $150.0 million and $178.4 million). The liquidity of the regular budget worsened at the end of November 2019, when the borrowings from closed

peacekeeping missions reached $187.6 million; that amount was subsequently repaid at the end of December 2019.

222. At the beginning of 2019, the Secretary-General, in his report on improving the financial situation of the United Nations (A/73/809), reported on the deteriorating state of the liquidity in peacekeeping and regular budgets. While the liquidity problem is driven by the delay in the payment of assessed contributions by the Member States, the ability to respond adequately to liquidity challenges is hampered by restrictions in the regulatory framework. The Secretary-General presented a set of proposals for removing those restrictions and building more resilience in cash management, of which only two, relating to peacekeeping operations, were endorsed by the General Assembly: removal of the restriction on cross-borrowing of cash for active missions and assessment for the full budget period, including the non-mandated period. The proposals to improve the regular budget cash situation were not approved by the General Assembly.

Liquidity risk: investments of the United Nations Staff Mutual Insurance Society against Sickness and Accidents

223. The United Nations Staff Mutual Insurance Society against Sickness and Accidents is exposed to low liquidity risk because there are only limited requirements to withdraw funds at short notice and it maintains sufficient cash and marketable securities, such as the exchange-traded fund, to meet commitments as and when they fall due. As at the reporting date, the Society had invested primarily in securities with short to medium-term maturity, with the maximum being less than 16 years (2018: less than 6 years). The Society's liquidity risk is therefore considered to be low.

Liquidity risk: financial liabilities

224. The exposure to liquidity risk is based on the notion that the entity may encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely owing to the cash and cash equivalents, receivables and investments available to the entity and internal policies and procedures put in place to ensure that there are appropriate resources to meet its financial obligations. As at the reporting date, the Organization had pledged no (2018: none) collateral for any liabilities or contingent liabilities, and during the year no accounts payable or other liabilities were forgiven by third parties. Maturities for financial liabilities based on the earliest date at which the Organization can be required to settle each financial liability are as shown below.

Maturities for financial liabilities as at 31 December 2019

(Undiscounted thousands of United States dollars)

	< 3 months	*3 to 12 months*	*> 1 year*	*Total*
Accounts payable and accrued liabilities	488 043	–	–	488 043
Transfers payable	–	–	592	592
Tax Equalization Fund liability	182 595	–	–	182 595
Other liabilities	19 919	–	65 126	85 045
Total	**690 557**	**–**	**65 718**	**756 275**

Maturities for financial liabilities as at 31 December 2019

(Undiscounted thousands of United States dollars)

	< 3 months	*3 to 12 months*	*> 1 year*	*Total*
Accounts payable and accrued liabilities	383 879[a]	–	–	383 879
Transfers payable	–	–	2 758[a]	2 758
Tax Equalization Fund liability	150 873	–	–	150 873
Other liabilities	12 418	–	34 289	46 707
Total	**546 955**	**–**	**37 047**	**584 217**

[a] Restated to conform to the current year presentation.

Financial risk management: market risk

225. Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and prices of investment securities, will affect the Organization's revenue or the value of its financial assets and liabilities. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the Organization's fiscal position.

Market risk: interest rate risk

226. Interest rate risk is the risk of variability in financial instruments' fair values or future cash flows due to a change in interest rates. In general, as an interest rate rises, the price of a fixed-rate security falls, and vice versa. Interest rate risk is commonly measured by the fixed-rate security's duration, with duration being a number expressed in years. The longer the duration, the greater the interest rate risk. The main exposure to interest rate risks relates to the cash pools and is considered in note 30, Financial instruments: cash pools. The average duration of the investments of the United Nations Staff Mutual Insurance Society against Sickness and Accidents was 2.30 years (2018: 1.52 years), which, within the investment objectives of the Society, is considered to be an indicator of low interest rate risk.

Market risk: currency risk

227. Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate owing to changes in foreign exchange rates. The Organization has transactions, assets and liabilities in currencies other than in its functional currency and is exposed to currency risk arising from fluctuations in exchange rates. Management policies and the Investment Management Guidelines require the Organization to manage its currency risk exposure.

228. The Organization's financial assets and liabilities are primarily denominated in United States dollars. Non-United States dollar financial assets primarily relate to investments in addition to cash and cash equivalents and receivables held to support local operating activities where transactions are made in local currencies. The Organization maintains a minimum level of assets in local currencies and, whenever possible, maintains bank accounts in United States dollars. The Organization mitigates currency risk exposure by structuring contributions from donors in foreign currency to correspond to the foreign currency needs for operational purposes.

229. The most significant exposure to currency risk relates to cash pool, cash and cash equivalents and investment balances, in addition to the investments of the United Nations Staff Mutual Insurance Society against Sickness and Accidents. As at the reporting date, the non-United States dollar-denominated balances in those financial

assets were primarily euros, Swiss francs and Iranian rials, along with 62 other currencies, as shown below.

Currency exposure as at 31 December 2019

(Thousands of United States dollars)

	United States dollar	*Euro*	*Swiss franc*	*Iranian rial*	*Other*	*Total*
Main cash pool	3 974 116	34 166	7 267	7 912	13 382	4 036 843
Euro cash pool	–	5 713	–	–	–	5 713
Subtotal	**3 974 116**	**39 879**	**7 267**	**7 912**	**13 382**	**4 042 556**
United Nations Staff Mutual Insurance Society against Sickness and Accidents investments	–	–	108 924	–	–	108 924
Total	**3 974 116**	**39 879**	**116 191**	**7 912**	**13 382**	**4 151 480**

Currency exposure as at 31 December 2018

(Thousands of United States dollars)

	United States dollar	*Euro*	*Swiss franc*	*Pound sterling*	*Other*	*Total*
Main cash pool	3 395 855	56 945	7 585	4 232	9 611	3 474 228
Euro cash pool	–	5 706	–	–	–	5 706
Subtotal	**3 395 855**	**62 651**	**7 585**	**4 232**	**9 611**	**3 479 934**
United Nations Staff Mutual Insurance Society against Sickness and Accidents investments	–	–	59 713	–	–	59 713
Total	**3 395 855**	**62 651**	**67 298**	**4 232**	**9 611**	**3 539 647**

Currency risk: sensitivity analysis

230. A strengthening or weakening of the euro and Swiss franc United Nations operational rates of exchange as at the reporting date would have affected the measurement of investments denominated in a foreign currency and increased or decreased the net assets and surplus or deficit by the amounts shown below. This analysis is based on foreign currency exchange rate variances considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant.

Currency exposure sensitivity analysis

(Thousands of United States dollars)

	As at 31 December 2019		*As at 31 December 2018*	
	Effect on net assets/surplus or deficit		*Effect on net assets/surplus or deficit*	
	Strengthening	*Weakening*	*Strengthening*	*Weakening*
Euro (10 per cent movement)	3 988	(3 988)	6 265	(6 265)
Colombian peso (10 per cent movement)	524	(524)	–	–
Swiss franc (10 per cent movement)	11 619	(11 619)	6 758	(6 758)
Iranian rial (10 per cent movement	791	(791)	423	(423)

Currency risk: forward contracts

231. In 2018, the Organization entered into United States dollar to Swiss franc and euro forward contracts to hedge against currency risk in relation to the operations of various United Nations offices in Geneva, Vienna and The Hague being exposed to risks arising primarily from fluctuations in payments for staff costs in Swiss francs and euros. Net realized foreign exchange losses from those contracts amounted to $22.7 million (losses in 2018: $3.8 million) for the year. The losses were recorded against staff costs, resulting in an increase in employee benefits expenses. There were 24 (2018: 24) forward contracts outstanding as at 31 December 2019 with a notional amount of SwF 345.1 million and €88.5 million with an unrealized gain of $8.0 million, maturing in 2020.

Other market price risk

232. The Organization is not exposed to other significant market price risk, as it has limited exposure to price-related risk with respect to expected purchases of certain commodities used in normal operations. Therefore, a change in those prices can alter cash flows only by an immaterial amount.

Accounting classifications and fair value

233. The carrying value of fair value through surplus or deficit investments is fair value. For cash and cash equivalents, receivables and accounts payable, carrying value is a fair approximation of fair value, except for non-current voluntary contributions receivable, which are reported at amortized cost calculated using the effective interest method as at 31 December 2019.

Fair value hierarchy

234. The table below analyses financial instruments carried at fair value, by the fair value hierarchy levels. The levels are defined as:

(a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

(b) Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);

(c) Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

235. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date and is determined by the independent custodian based on valuation of securities sourced from third parties. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the cash pools is the current bid price.

236. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques that maximize the use of observable market data. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in level 2.

237. There were no level 3 financial assets. The fair value hierarchy for the cash pools is disclosed in note 30, Financial instruments: cash pools (see paragraph 252).

Fair value hierarchy: United Nations Staff Mutual Insurance Society against Sickness and Accidents

(Thousands of United States dollars)

	31 December 2019			31 December 2018		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Exchange – traded fund	43 225	–	43 225	27 162	–	27 162
Bonds – corporate	35 861	–	35 861	20 948	–	20 948
Bonds – non-United States agencies	1 047	–	1 047	3 092	–	3 092
Bonds – non-United States sovereigns	2 084	–	2 084	–	–	–
Bonds – supranationals	5 222	–	5 222	1 091	–	1 091
Total[a]	**87 439**	**–**	**87 439**	**52 293**	**–**	**52 293**

[a] The total amount does not include accrued investment revenue of $0.160 million (2018: $0.165 million).

Note 30
Financial instruments: cash pools

238. In addition to directly held cash and cash equivalents and investments, the Organization participates in the United Nations Treasury cash pools. Pooling the funds has a positive effect on overall investment performance and risk because of economies of scale and the ability to spread yield curve exposures across a range of maturities. The allocation of cash pool assets (cash and cash equivalents, short-term investments and long-term investments) and revenue is based on each participating entity’s principal balance.

239. The Organization participates in two United Nations Treasury-managed cash pools:

(a) The main pool, which comprises operational bank account balances in a number of currencies and investments in United States dollars;

(b) The euro pool, which comprises investments in euros. The pool participant is the United Nations Staff Mutual Insurance Society against Sickness and that may have a surplus of euros from its operations.

240. As at 31 December 2019, the cash pools held total assets of $9,345.0 million (2018: 7,510.5 million), of which $4,042.4 million (2018: $3,480.1 million) was due to the Organization, and its share of revenue from cash pools was $99.3 million (2018: $67.1 million).

Summary of assets and liabilities of the cash pools as at 31 December 2019

(Thousands of United States dollars)

	Main pool	*Euro pool*	*Total*
Fair value through surplus or deficit			
Short-term investments	5 177 137	–	5 177 137
Long-term investments	1 624 405	–	1 624 405
Total fair value through surplus or deficit investments	**6 801 542**	**–**	**6 801 542**

	Main pool	*Euro pool*	*Total*
Loans and receivables			
Cash and cash equivalents	2 499 980	5 580	2 505 560
Accrued investment revenue	37 868	–	37 868
Total loans and receivables	**2 537 848**	**5 580**	**2 543 428**
Total carrying amount of financial assets	**9 339 390**	**5 580**	**9 344 970**
Cash pool liabilities			
Payable to funds reported in volume I	4 036 793	5 580	4 042 373
Payable to other cash pool participants	5 302 597	–	5 302 597
Total liabilities	**9 339 390**	**5 580**	**9 344 970**
Net assets	**–**	**–**	**–**

Summary of revenue and expenses of the cash pools for the year ended 31 December 2019

(Thousands of United States dollars)

	Main pool	*Euro pool*	*Total*
Investment revenue	198 552	(1)	198 551
Unrealized gains/(losses)	14 355	–	14 355
Investment revenue from cash pools	**212 907**	**(1)**	**212 906**
Foreign exchange gains/(losses)	3 313	(132)	3 181
Bank fees	(808)	–	(808)
Operating revenue/(expenses) of cash pools	**2 505**	**(132)**	**2 373**
Total revenue from and expenses of cash pools	**215 412**	**(133)**	**215 279**

Summary of assets and liabilities of the cash pools as at 31 December 2018

(Thousands of United States dollars)

	Main pool	*Euro pool*	*Total*
Fair value through surplus or deficit			
Short-term investments	6 255 379	–	6 255 379
Long-term investments	486 813	–	486 813
Total fair value through surplus or deficit investments	**6 742 192**	**–**	**6 742 192**
Loans and receivables			
Cash and cash equivalents	732 926	5 706	738 632
Accrued investment revenue	29 696	–	29 696
Total loans and receivables	**762 622**	**5 706**	**768 328**
Total carrying amount of financial assets	**7 504 814**	**5 706**	**7 510 520**

	Main pool	Euro pool	Total
Cash pool liabilities			
Payable to funds reported in United Nations volume I	3 474 228	5 706	3 479 934
Payable to other cash pool participants	4 030 586	–	4 030 586
Total liabilities	**7 504 814**	**5 706**	**7 510 520**
Net assets	**–**	**–**	**–**

Summary of revenue and expenses of the cash pools for the year ended 31 December 2018

(Thousands of United States dollars)

	Main pool	Euro pool	Total
Investment revenue	152 805	(6)	152 799
Unrealized gains/(losses)	3 852	–	3 852
Investment revenue from cash pools	**156 657**	**(6)**	**156 651**
Foreign exchange gains/(losses)	854	(354)	500
Bank fees	(805)	–	(805)
Operating expenses of cash pools	**49**	**(354)**	**(305)**
Total revenue from and expenses of cash pools	**156 706**	**(360)**	**156 346**

Financial risk management

241. The United Nations Treasury is responsible for investment and risk management for the cash pools, including conducting investment activities in accordance with the Investment Management Guidelines.

242. The objective of investment management is to preserve capital and ensure sufficient liquidity to meet operating cash requirements while attaining a competitive market rate of return on each investment pool. Investment quality, safety and liquidity are emphasized over the market-rate-of-return component of the objectives.

243. An investment committee periodically evaluates investment performance and assesses compliance with the Guidelines and makes recommendations for updates thereto.

Financial risk management: credit risk

244. Investment Management Guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible cash pool investments may include, but are not restricted to, bank deposits, commercial papers, supranational securities, government agency securities and government securities with maturities of five years or less. The cash pools do not invest in derivative instruments such as asset-backed and mortgage-backed securities or equity products.

245. The Guidelines require that investments are not to be made in issuers whose credit ratings are below specifications and also provide for maximum concentrations with given issuers. These requirements were met at the time the investments were made.

246. The credit ratings used for the cash pools are those determined by major credit-rating agencies; S&P Global Ratings, Moody's and Fitch are used to rate bonds and

discounted instruments, and the Fitch viability rating is used to rate bank term deposits. At year end, the credit ratings were as shown below.

Investments of the cash pools by credit ratings as at 31 December[a]

(Percentage)

Main pool	*Ratings as at 31 December 2019*				*Ratings as at 31 December 2018*			
Bonds (long-term ratings)								
	AAA	*AA+/AA/AA-*	*A+*	*Not rated*	*AAA*	*AA+/AA/AA-*	*A+*	*Not rated*
S&P Global Ratings	35.8%	58.8%		5.4%	15.4	79.0	5.6	–
Fitch	60.2%	23.8%		16.0%	55.1	39.3	–	5.6
	Aaa	*Aa1/Aa2/Aa3*	*A1*		*Aaa*	*Aa1/Aa2/Aa3*	*A1*	
Moody's	54.8%	45.2%			49.7	50.0	0.3	
Commercial papers/certificates of deposit (short-term ratings)								
	A-1+/A-1				*A-1+*			
S&P Global Ratings	100%				100.0			
	F1+/F1				*F1+*			
Fitch	100%				100.0			
	P-1				*P-1*			
Moody's	100%				100.0			
Reverse repurchase agreement (short-term ratings)								
	A-1+				*A-1+*			
S&P Global Ratings	–				100.0			
	F1+				*F1+*			
Fitch	–				100.0			
	P-1				*P-1*			
Moody's	–				100.0			
Term deposits (Fitch viability ratings)								
	aaa	*aa/aa-*	*a+/a*		*aaa*	*aa/aa-*	*a+/a/a-*	
Fitch	–	84.2%	15.8%		–	53.5	46.5	

[a] No investments were held as at 31 December 2019 in the euro pool.

247. The United Nations Treasury actively monitors credit ratings and, because the Organization has invested only in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations, except for impaired investments.

Financial risk management: liquidity risk

248. The cash pools are exposed to liquidity risk associated with the requirement of participants to make withdrawals on short notice. They maintain sufficient cash and marketable securities to meet participants' commitments as and when they fall due. A major portion of cash and cash equivalents and investments are available within a day's notice to support operational requirements. The cash pool liquidity risk is therefore considered to be low.

Financial risk management: interest rate risk

249. The cash pools comprise the Organization's main exposure to interest rate risk with fixed-rate cash and cash equivalents and investments being interest-bearing

financial instruments. As at the reporting date, the cash pools had invested primarily in securities with shorter terms to maturity, with the maximum being less than five years (2018: three years). The average duration of the main pool on 31 December 2019 was 0.74 years (2018: 0.33 years), which is considered to be an indicator of low risk.

Cash pool interest rate risk sensitivity analysis

250. The analysis shows how the fair value of the cash pools as at the reporting date would increase or decrease should the overall yield curve shift in response to changes in interest rates. Given that the investments are accounted for at fair value through surplus or deficit, the change in fair value represents the increase or decrease in the surplus or deficit and net assets. The impact of a shift up or down of up to 200 basis points in the yield curve is shown below (100 basis points equals 1 per cent). The basis point shifts are illustrative.

Organization's share of cash pool interest rate risk sensitivity analysis as at 31 December 2019

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*50*	*100*	*150*	*200*
Increase/(decrease) in fair value (Millions of United States dollars)									
Total, main pool	**58.12**	**43.58**	**29.06**	**14.53**	**–**	**(14.53)**	**(29.05)**	**(43.57)**	**(58.09)**
Total, euro pool	–	–	–	–	–	–	–	–	–
Total	**58.12**	**43.58**	**29.06**	**14.53**	**–**	**(14.53)**	**(29.05)**	**(43.57)**	**(58.09)**

Organization's share of cash pool interest rate risk sensitivity analysis as at 31 December 2018

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*50*	*100*	*150*	*200*
Increase/(decrease) in fair value (Millions of United States dollars)									
Total, main pool	**22.43**	**16.82**	**11.22**	**5.61**	**–**	**(6.89)**	**(11.21)**	**(16.82)**	**(22.43)**
Total, euro pool	–	–	–	–	–	–	–	–	–
Total	**22.43**	**16.82**	**11.22**	**5.61**	**–**	**(6.89)**	**(11.21)**	**(16.82)**	**(22.43)**

Other market price risk

251. The cash pools are not exposed to significant other price risks because they do not sell short, borrow securities or purchase securities on margin, which limits the potential loss of capital.

Accounting classifications and fair value hierarchy

252. All investments are reported at fair value through surplus and deficit. Cash and cash equivalents carried at nominal value are deemed to be an approximation of fair value. The following fair value hierarchy presents the cash pool assets that are measured at fair value as at the reporting date. There were no level 3 financial assets. Commercial papers were reclassified to level 2 in the fair value hierarchy, instead of level 1, as presented in previous years. The definition of level 2 represents more

accurately the nature of these instruments, as prices have to be obtained from a third party, i.e. a broker in the market.

Fair value hierarchy for investments as at 31 December: cash pools

(Thousands of United States dollars)

	31 December 2019			*31 December 2018*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds – corporate	148 473	–	148 473	205 566	–	205 566
Bonds – non-United States agencies	755 027	–	755 027	791 922	–	791 922
Bonds – supranational	423 230	–	423 230	174 592	–	174 592
Bonds – United States treasuries	497 829	–	497 829	610 746	–	610 746
Main pool – commercial papers	–	347 398	347 398	–	219 366[a]	219 366
Main pool – certificates of deposit	–	3 419 585	3 419 585	–	–	–
Main pool – term deposits	–	1 210 000	1 210 000	–	4 740 000	4 740 000
Total	**1 824 559**	**4 976 983**	**6 801 542**	**1 782 826**	**4 959 366**	**6 742 192**

[a] Reclassified, as explained in paragraph 252 above.

Note 31
Related parties

Key management personnel

253. Key management personnel are those with the ability to exercise significant influence over the financial and operating decisions of the Organization. For the operations of the United Nations as reported in volume I, the key management personnel group comprises the Secretary-General, the Deputy Secretary-General and selected officials at the Under-Secretary-General, Assistant Secretary-General and Director levels. Those persons have the relevant authority and responsibility for planning, directing and controlling the Organization's activities.

Key management personnel as at 31 December 2019

Name	*Position*	*Date assumed key management personnel position*
António Guterres	Secretary-General	January 2017
Amina J. Mohammed	Deputy Secretary-General	February 2017
Maria Luiza Ribeiro Viotti	Under-Secretary-General, Chef de Cabinet	January 2017
Catherine Pollard	Under-Secretary-General for Management Strategy, Policy and Compliance	September 2019
Atul Khare	Under-Secretary-General for Operational Support	January 2019

Name	*Position*	*Date assumed key management personnel position*
Zainab Hawa Bangura	Director-General of the United Nations Office at Nairobi	December 2019
Yury Fedotov	Director-General of the United Nations Office at Vienna	September 2010
Tatiana Valovaya	Director-General, United Nations Office at Geneva	August 2019
Christian Saunders	Assistant Secretary-General for Supply Chain Management	November 2019
Chandramouli Ramanathan	Assistant Secretary-General, Controller	February 2019
Pedro Guazo	Director, Finance Division	June 2012

254. The aggregate remuneration paid to the 11 (full-time equivalent) key management personnel includes gross salaries, post adjustment and other entitlements such as grants, subsidies and employer pension and health insurance contributions.

(Thousands of United States dollars)

	2019	*2018*
Salary and post adjustment	3 258	3 540
Other monetary entitlements	870	869
Non-monetary benefits	1 200	1 200
Total remuneration for the year	**5 328**	**5 609**

255. A residence, with an annual rental fair value equivalent of $1.2 million (2018: $1.2 million), is provided to the Secretary-General free of charge. Advances made to key management personnel are those made against entitlements in accordance with the Staff Regulations of the United Nations and Staff Rules; any such advances against entitlements are widely available to all staff of the Organization.

Related entity transactions

256. The Organization provided grants to related party entities as below.

Grants provided to related party entities

(Thousands of United States dollars)

	2019	*2018*
United Nations Office on Drugs and Crime	32 004	34 294
United Nations Environment Programme	26 278	24 252
United Nations Human Settlements Programme	15 415	14 430
International Trade Centre	18 092	18 680
United Nations Entity for Gender Equality and the Empowerment of Women	9 526	8 807
United Nations Relief and Works Agency for Palestine Refugees in the Near East	29 418	28 571
Office of the United Nations High Commissioner for Refugees	43 328	42 954
Total	**174 061**	**171 988**

257. During 2019, the Organization provided loans of $30.0 million to UNRWA (see paragraph 114).

Loans granted to related party entities

(Thousands of United States dollars)

	Amount outstanding 1 January 2019	*Amount advanced in 2019*	*Amount reimbursed in 2019*	*Amount outstanding 31 December 2019*
United Nations Relief and Works Agency for Palestine Refugees in the Near East	15 000	30 000	15 000	30 000
Total	**15 000**	**30 000**	**15 000**	**30 000**

Trust fund activities related to peacekeeping and tribunal operations

Trust fund activities related to peacekeeping operations

(Thousands of United States dollars)

	2019				2018			
Trust fund	*Net assets at the beginning of the period*	*Income*	*Expenses*	*Net assets at the end of the period*	*Net assets at the beginning of the period*	*Income*	*Expenses*	*Net assets at the end of the period*
Trust fund in support of the delimitation and demarcation of the Ethiopia/Eritrea border	1 495	37	–	1 532	1 463	32	–	1 495
Trust fund for Somalia – unified command	413	10	–	423	404	9	–	413
Trust fund in support of the implementation of the agreement on a ceasefire and separation of forces signed in Moscow on 14 May 1994	8	1	–	9	8	–	–	8
Trust fund for the Police Assistance Programme in Bosnia and Herzegovina	325	8	–	333	318	7	–	325
Trust fund in support of United Nations peacemaking and peacekeeping activities	2 206	54	–	2 260	2 333	49	176	2 206
Trust fund in support of the Department of Peace Operations	96 405	14 786	22 385	88 806	58 672	57 342	19 609	96 405
Trust fund to support the peace process in the Democratic Republic of the Congo	2 238	59	(37)	2 334	2 555	(58)	259	2 238
Trust fund to support the United Nations Interim Administration in Kosovo	1 110	27	–	1 137	1 086	24	–	1 110
Trust fund to support the Ituri Pacification Commission	7	1	–	8	7	–	–	7
Trust fund in support of the peace process in the Sudan	727	(259)	–	468	711	16	–	727
Trust fund for the African Union-United Nations Joint Mediation Support Team for Darfur	6 208	167	38	6 337	6 756	635	1 183	6 208
Trust fund for the support of the activities of the United Nations Mission in the Central African Republic and Chad	1 771	44	–	1 815	1 733	38	–	1 771
Subfund of the trust fund in support of the African Union Mission in Somalia	27 400	13 193	18 237	22 356	19 475	26 813	18 888	27 400
Trust fund to support lasting peace in Darfur	393	11	–	404	385	8	–	393
Trust fund in support of the African-led International Support Mission in Mali	613	154	(2)	769	601	12	–	613
Trust fund in support of peace and security in Mali	39 604	22 563	13 257	48 910	53 311	13 292	26 999	39 604
Trust fund for the United Nations Operation in Côte d’Ivoire	171	4	–	175	167	4	–	171
Trust fund in support of the political transition in Haiti	490	(159)	83	248	738	14	262	490

Trust fund	*2019*				*2018*			
	Net assets at the beginning of the period	*Income*	*Expenses*	*Net assets at the end of the period*	*Net assets at the beginning of the period*	*Income*	*Expenses*	*Net assets at the end of the period*
Trust fund in support of the African-led International Support Mission in the Central African Republic	205	6	–	211	201	4	–	205
Trust fund in support of peace and security in Libya	–	–	–	–	45	(45)	–	–
Trust fund in support of the elimination of Syrian chemical weapons	451	(135)	–	316	442	9	–	451
Total	**182 240**	**50 572**	**53 961**	**178 851**	**151 414**	**98 205**	**67 376**	**182 240**

Trust fund activities related to tribunal operations

(Thousands of United States dollars)

	2019				2018			
Trust fund	*Net assets at the beginning of the period*	*Income*	*Expenses*	*Net assets at the end of the period*	*Net assets at the beginning of the period*	*Income*	*Expenses*	*Net assets at the end of the period*
Voluntary fund to support the activities of the international tribunal established by Security Council resolution 827 (1993)	825	60	10	875	578	253	6	825
Trust fund for the International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda	1	(1)	–	–	1	–	–	1
Trust fund to support the activities of the International Residual Mechanism for Criminal Tribunals	172	896	801	267	206	51	85	172
Total	**998**	**955**	**811**	**1 142**	**785**	**304**	**91**	**998**

Receivables due from peacekeeping operations

258. The Organization has receivables in the amount of $37.4 million (2018: $37.4 million) and $10.0 million (2018: $10.0 million) due from the United Nations Operation in the Congo and the United Nations Emergency Force, respectively. Those missions closed on 30 June 1964 and 30 June 1978, respectively, and the Organization has recorded a 100 per cent allowance for those doubtful receivables.

Note 32
Leases and commitments

Finance leases

259. The Organization leases certain communications and information technology equipment under commercial finance leases and holds some donated right-to-use real estate arrangements that meet the criteria of finance leases. As at year end, commercial finance leased assets had been fully depreciated. The carrying value of donated right-to-use arrangements meeting the finance lease recognition criteria totalled $62.8 million (2018: $66.5 million). The main portion of the donated right-to-use amount relates to the $62.3 million (2018: $65.9 million) interest in the Vienna International Centre, with the remaining amount relating to the Asian and Pacific Centre for Transfer of Technology of ESCAP and the ESCAP Subregional Office for South and South-West Asia, both located in New Delhi, and the Department of Global Communications/United Nations Information Centre offices in Brazzaville and Ouagadougou. These donated right-to-use agreements indicate that host Governments will provide premises to the Organization for free for a period longer than 35 years or for as long as the United Nations remains in the respective countries and uses the underlying premises for the intended purposes. The statement of financial performance includes finance costs of nil (2018: $0.003 million) relating to commercial finance lease arrangements. The net year-end carrying value for each class of asset is as shown below.

Net finance lease asset carrying value

(Thousands of United States dollars)

	Donated right-to-use premises: Vienna International Centre	*Other donated right-to-use premises*	*Total*
As at 31 December 2019	62 305	529	62 834
As at 31 December 2018	946 65	569	515 66

260. No future minimum finance lease payments exist under non-cancellable commercial finance lease arrangements.

Operating leases

261. The Organization has entered into several operating lease agreements for land, offices, residential space and machinery and equipment. While some of the agreements are under commercial terms, others are for space provided to the United Nations by host Governments on a free-of-charge or nominal-fee basis. Rental value equivalent was estimated and recognized as an expense and in-kind contributions were presented in the statement of financial performance as voluntary contributions revenue. Operating lease expenses for the year total $184.6 million (2018: $168.4 million). Future minimum lease payments under non-cancellable operating leases are as shown below.

Obligations for operating leases: minimum lease payments

(Thousands of United States dollars)

	As at 31 December 2019	*As at 31 December 2018*
Due in less than 1 year	55 545	66 772
Due in 1 to 5 years	151 729	155 642
Due after 5 years	75 655	78 319
Total minimum operating lease obligations	**282 929**	**300 733**

262. The operating leases are generally for a term of between 1 and 10 years, with some leases allowing an extension beyond the expiry date and/or permitting early termination with notice to the landlord of 30, 60 or 90 days. The amounts present future obligations for the minimum contractual term, taking into consideration rent increases in accordance with the terms of the lease agreements. None of the leases and real estate agreements contain purchase options.

Leasing arrangements where the Organization is the lessor

263. The Organization leases out assets to other parties through operating leases. Future minimum lease receipts for those arrangements are shown below.

Operating leases receipts

(Thousands of United States dollars)

	As at 31 December 2019	*As at 31 December 2018*
Receipts due in less than 1 year	11 139	14 454
Receipts due in 1 to 5 years	27 103	36 319
Receipts due after 5 years	3 340	3 377
Total minimum operating lease receipts (undiscounted)	**41 582**	**54 150**

264. As at 31 December 2019, the total of future minimum sublease payments expected to be received under subleases was $2.3 million (2018: $2.3 million).

Contractual commitments

265. At year end, commitments to transfer funds to implementing partners and for property, plant and equipment, intangible assets and goods and services contracted but not delivered were as shown below.

Contractual commitments

(Thousands of United States dollars)

	As at 31 December 2019	*As at 31 December 2018*
Transfer of moneys to implementing partners	292 795	267 872
Property, plant and equipment	107 121	112 276
Intangibles	6	131
Goods and services	297 451	417 410
Total open contractual commitments	**697 373**	**797 689**

Note 33
Contingent liabilities and contingent assets

Contingent liabilities

266. The Organization is subject to a variety of claims that arise from time to time in the ordinary course of its operations. These claims are segregated into three main categories: commercial claims, administration of justice claims (cases brought by current or former United Nations staff members against the Secretary-General) and any other claims.

267. Consistent with IPSAS, contingent liabilities are disclosed for pending claims where the probability of an obligation and the potential outflow of resources cannot be measured with sufficient reliability. As at 31 December 2019, contingent liabilities relating to commercial claims and other claims of a private law nature were estimated at $0.02 million (2018: none). Contingent liabilities relating to administration of justice claims as at 31 December 2019 were estimated at $20.5 million (2018: $1.740 million).

268. No contingent liabilities arose from the Organization's interest in jointly controlled entities or joint arrangements over which the Organization has significant influence.

Contingent assets

269. In accordance with IPSAS 19, the Organization discloses contingent assets when an event gives rise to a probable inflow of economic benefits or service potential to the Organization and there is sufficient information to assess the probability of that inflow. As at 31 December 2019, there were $0.063 million (2018: $0.29 million) in contingent assets arising from the Organization's legal actions and interests in joint ventures that were likely to result in a significant economic inflow.

Note 34
Events after the reporting date

270. There have been no material events, favourable or unfavourable, that occurred between the date of the financial statements and that on which the financial statements were authorized for issue that would have had a material impact on these statements.

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