

**BOARD OF AUDITORS
NEW YORK**

**Opening Statement on the Report of the Board of Auditors on
the financial statements of the United Nations Framework
Convention on Climate Change ([FCCC/SBI/2020/INF.9](#)) in the
context of the Climate Dialogues**

26 and 27 November 2020,
Audit report and financial statements for 2019

Distinguished Chair,
Distinguished Delegates,

On behalf of the Board of Auditors, I have the honor to present to you the major findings from the audit report on the financial statements of the United Nations Framework Convention on Climate Change for the 2019 period.

We audited the financial statements and reviewed the operations of UNFCCC for the year ended 31 December 2019. We duly considered the secretariat's responses to the draft report and adequately reflected them in the final report, document number [FCCC/SBI/2020/INF.9](#).

Audit Opinion

The Board has issued an unqualified opinion on the financial statements for the period under review. "Unqualified" in the auditors' language means that we have no objections against the financial statements. They fairly present the Organization's financial position, its financial performance and cash flows.

Overall conclusion

UNFCCC recognized a deficit of 6.4 million USD. At the end of 2019, the Organization had accumulated a surplus and earmarked reserves of 67.4 million USD. You may wish to bear in mind that the surplus mainly stems from voluntary funding sources that are usually earmarked. That means that their use is limited to a specific purpose.

The Board noted that 30 per cent of indicative contributions for 2019 of parties had not been paid. These outstanding indicative contributions of 14.7 million euros at year-end 2019 have again increased significantly; they amounted to 9 million euros in the previous year. The Board continues to be concerned that the outstanding indicative contributions could affect the secretariat's functions and its financial sustainability.

Let me turn to the

Implementation of recommendations made by the Board of Auditors

The secretariat has pursued its efforts to implement the recommendations made by the Board. The Board noted that out of a total of 30 recommendations that remained outstanding, 13 (43 per cent) had been implemented, 16 were under implementation and 1 had been overtaken by events. The implementation rate was again below the rate of the previous year.¹

May I highlight that five recommendations pertain to the alignment of the UNFCCC-specific policies. In such cases, the authority delegated to the Executive Secretary requires a formal approval by the Secretary-General.

¹ 2018: 50 per cent were fully implemented

The Board requested that UNFCCC either adopt the United Nations policies or seek to obtain the Secretary-General's agreement where a deviation was deemed suitable. UNFCCC did so in two cases. The Board emphasizes that UNFCCC should make closing the remaining legal gaps a high priority.

After this status update on the implementation of the recommendations from previous reports, I now wish to turn to:

The Key Findings in the Long Form Report

Let me focus on the accumulated surplus on the special account for programme support costs, the restructuring of the secretariat, the institutional linkage and delegation of authority, and the lack of coverage by internal audit.

Accumulated surplus on the special account for programme support costs

UNFCCC accrued 12.7 million USD net assets on the special account for programme support costs that was established to manage income and expenditures related to administrative overhead. Whereas a United Nations administrative instruction stipulates that an operating reserve at the level of 20 per cent of the annual programme support income should be held to finance unpredictable issues, UNFCCC held 130 per cent. The Board further found that no income or expenditure plans were prepared for the special account.

Implementation of the restructuring of the secretariat

In order to adapt to its evolving mandates, UNFCCC reviewed its structure, operations and allocation of resources in 2018. The review led

to a revised organizational structure of the secretariat effective from 1 April 2020.

The budget proposal for the biennium 2020-2021 reflected the new structure. The budget proposal provided for 471 posts for core and all supplementary funding. UNFCCC established 491 posts in Umoja for the implementation, hence 20 posts more.

The variances differed considerably by organizational units. UNFCCC explained that synergies were to be achieved by shifting posts within the units. The Board noted that due to the changes, the proposed work programme was no longer appropriate for reporting on budget performance. As you might know, the secretariat published a revised work programme in July 2020 after our audit.

In the budget proposal, the posts funded by the core budget increased by 3 per cent, while the number of posts in the P5 and above categories increased by 15 per cent. Furthermore, the Board found that at the time of the budget proposal UNFCCC had determined the indicative grade of posts under the new structure without doing job classifications and without adding job descriptions.

The Conference of the Parties (COP) requested the secretariat to strive for efficiency gains in the new structure. UNFCCC did not have a clear set of criteria to assess whether the restructuring had achieved its objectives. UNFCCC planned that the new Organizational Development and Oversight (ODO) unit would monitor target achievement. The job descriptions for the posts for ODO, however, were in draft status only in May and the posts were to be filled by the end of 2020. UNFCCC stated that the posts could not be filled with current staff; the job opening is now being published.

May I now turn to the

Institutional linkage and delegation of authority

In 2001, the institutional linkage dating back to the years 1995/1996 was reviewed by the Secretary-General. In 2007, the General Assembly endorsed the continuation of the institutional linkage until further review was deemed necessary. Since then, no further review has been documented, although both UNFCCC and the United Nations underwent major organizational changes.

The Board found inconsistencies in the procedure of delegating authority for human resources, finance and budget, procurement and property management to the current head of UNFCCC. While, in 2016, the authority on procurement and property management was delegated in a memorandum to the current Executive Secretary, this is not the case for the authorities for finance and budget and human resources. In order to enhance accountability, the Board considers it necessary that the current Executive Secretary receive and accept these delegations of authority from the Secretary-General, especially to enable further subdelegating authorities.

Coverage by internal audit

Decision 15/CP.1 stipulates that “the accounts and financial management of all funds governed by UNFCCC shall be subject to the internal audit process of the United Nations”. The United Nations Financial Regulation 5.15 stipulates that the Office of Internal Oversight Services (OIOS) shall conduct independent internal audits. From 2009 to 2019, an OIOS resident auditor audited UNFCCC on a full-time basis who conducted two to three internal audits per year in average.

In April 2019, UNFCCC requested OIOS to explore options of adjusting the audit arrangements as from 2020. UNFCCC criticized the burden associated with audits that did not reflect the risks that UNFCCC was

exposed to. OIOS and UNFCCC could not agree on a new arrangement. The Board was concerned that UNFCCC was no longer covered by internal audits. Now, following our recommendation, UNFCCC and OIOS agreed to conduct one internal audit each year for the 2020-2021 biennium and to evaluate this arrangement afterwards.

Based on its findings, the Board has made a number of recommendations aiming at further improving governance and financial management of the secretariat.

Honorable Chair, Distinguished Delegates, this concludes my statement. Let me take the opportunity to thank the staff in the secretariat for its support and assistance throughout the audit, and also for making this virtual presentation possible.

I will be happy to respond to any questions you may have.

Thank you very much for your kind attention.

**On behalf of Mr. Kay Scheller
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