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Administrative, financial and institutional matters

Audit report and financial statements for 2018

Financial report and audited financial statements for the year 2018 and report of the United Nations Board of Auditors

Note by the secretariat

Addendum

Comments by the secretariat

Summary

The report of the United Nations Board of Auditors for 2018 (FCCC/SBI/2019/INF.9) includes recommendations relating to the financial audit of the UNFCCC. This addendum, which should be read in conjunction with that report, has been prepared to provide the secretariat's comments on those recommendations and to specify the initial actions taken to implement them. In the "Status of implementation" column of the two tables that comprise this document, "Under implementation" indicates that the secretariat has started undertaking the recommended action.



Abbreviations and acronyms

Board	United Nations Board of Auditors
COP	Conference of the Parties
DMSPC	Department of Management Strategy, Policy and Compliance
ICT	Information and Communication Technology
IPSAS	International Public Sector Accounting Standards
OHRM	Office of Human Resources Management
SBI	Subsidiary Body for Implementation
USG-AM	Under-Secretary-General for Administration and Management

Table 1

Recommendations of the United Nations Board of Auditors for the year that ended on 31 December 2018

<i>Recommendations^a</i>	<i>Comments by the secretariat</i>	<i>Status of implementation</i>
Recommendation 1, paragraph 15 The Board recommends that UNFCCC ensure the oversight of the policy review process including objectives, due dates and reporting lines for each policy.		Under implementation
Recommendation 2, paragraph 37 The Board recommends that UNFCCC analyse the net assets of the cost recovery fund and act on the results of this analysis.		Under implementation
Recommendation 3, paragraph 47 The Board recommends that UNFCCC incorporate the liabilities incurred by staff financed from indicative contributions in its funding policy review for employee benefits and seek a COP decision.	A funding policy review has been undertaken and results have been presented to management. A draft policy will be presented for consideration by Parties at SBI 52 (June 2020).	Under implementation
Recommendation 4, paragraph 51 The Board recommends that UNFCCC disclose which share of the post-employment benefit liabilities stems from core financed staff and which share from non-core activities financed staff separately in its financial statements.	The breakdown will be included in the financial statements for 2019.	Under implementation
Recommendation 5, paragraph 55 The Board recommends that, in consultation with United Nations Treasury, UNFCCC assess the possibilities of investment approaches within the cash-pool for the reserves set aside to cover for the after-service health insurance liabilities.		Under implementation
Recommendation 6, paragraph 59 The Board recommends that UNFCCC conduct and document a plausibility analysis of the actuarial valuation of the employee benefit liabilities.	The analysis will be included in the closure activities starting with the financial statements for 2019.	Under implementation
Recommendation 7, paragraph 65 The Board recommends that UNFCCC consult with the actuary and United Nations Headquarters on the data basis for the actuarial valuation of employee benefits liabilities to enhance the accuracy of the actuarial valuation.	The UNFCCC will provide data as requested by the actuary, in alignment with data requested by the actuary through the United Nations Secretariat, as UNFCCC benefits and entitlements are aligned with the Secretariat. During each valuation, the UNFCCC will provide data in a timely fashion	Under implementation

<i>Recommendations^a</i>	<i>Comments by the secretariat</i>	<i>Status of implementation</i>
Recommendation 8, paragraph 70	to ensure that any problems can be identified and rectified before the due date.	
The Board recommends that UNFCCC assess, in consultation with United Nations Headquarters, whether it is beneficial to conclude agreements with the organizations of incoming and leaving UNFCCC staff to gain legal assurance on the employee benefit liabilities incurred for those staff members.	The UNFCCC is guided by the United Nations interagency agreement for transfer, secondment and loan among United Nations organizations. The guidelines on the receiving organization's liability for employers' contributions to health insurance or social security schemes other than the Pension Fund (para. 33(b)) are followed for staff members joining from other organizations and for UNFCCC staff members moving to other United Nations agencies. As per procedure, the agreement is maintained in the respective staff member's file.	Under implementation
Recommendation 9, paragraph 77		
The Board recommends that UNFCCC review its accounting process for appendix D benefits and for death benefits.	The accounting process has been revised to accommodate the requirements of the audit.	Under implementation
Recommendation 10, paragraph 82		
The Board recommends that UNFCCC revise its accounting policies to ensure that asset recognition criteria for non-exchange transactions are in line with IPSAS.	A revised accounting policy is under development to include the asset recognition criteria for non-exchange transactions.	Under implementation
Recommendation 11, paragraph 89		
The Board recommends that UNFCCC review its voluntary contribution agreements on a case-by-case basis as to all asset and revenue recognition criteria of IPSAS 23 and document the decision whether to treat the agreement to be conditional or unconditional.		Under implementation
Recommendation 12, paragraph 94		
The Board recommends that UNFCCC disclose the amount of assets recognized that are subject to restrictions and the nature of those restrictions in the notes to the financial statements.		Under implementation
Recommendation 13, paragraph 101		
The Board recommends that UNFCCC improve data quality of the grants created in Umoja.		Under implementation
Recommendation 14, paragraph 109		
The Board recommends that UNFCCC use Umoja to its full extent to manage the donor agreements within Umoja, to store documents related to donor agreements and to produce automated donor reports.		Under implementation

<i>Recommendations^a</i>	<i>Comments by the secretariat</i>	<i>Status of implementation</i>
<p>Recommendation 15, paragraph 115</p> <p>The Board recommends that UNFCCC analyse the case of an Umoja user mapped to a role combination seen as a risk for segregation of duty.</p>	<p>The referenced segregation of duty violation was fixed on 30 April 2019.</p>	<p>Under implementation</p>
<p>Recommendation 16, paragraph 119</p> <p>The Board recommends that UNFCCC make efforts to minimize redundancies with embedded roles.</p>	<p>Sixteen of the 21 cases were resolved on 30 April 2019. Resolving the remaining five cases may result in users losing access to certain business intelligence reports, as the redundancy has not been confirmed by the Umoja technical teams.</p>	<p>Under implementation</p>
<p>Recommendation 17, paragraph 123</p> <p>The Board recommends that UNFCCC analyse the assignments to the Umoja role FA.13 and limit the number of assignments in accordance with the Umoja roles guide.</p>		<p>Under implementation</p>
<p>Recommendation 18, paragraph 130</p> <p>The Board recommends that UNFCCC seek for approval by DMSPC for the exception of providing voucher-based support to interns and adjust its policy including the standard operating procedure accordingly.</p>	<p>The UNFCCC has initiated consultations with the United Nations Secretariat for a decision concerning discounts for interns.</p>	<p>Under implementation</p>
<p>Recommendation 19, paragraph 135</p> <p>The Board recommends that UNFCCC adopt the United Nations staff selection policies system in the then applicable version or request approval of deviations by end of December 2019.</p>	<p>The UNFCCC is reviewing current United Nations policy on staff selection for adoption and implementation.</p>	<p>Under implementation</p>
<p>Recommendation 20, paragraph 146</p> <p>The Board recommends that UNFCCC evaluate whether it is beneficial to use the United Nations recruitment tool and to participate in shared human resources services where possible.</p>	<p>The UNFCCC has reached an agreement on modalities of engagement with OneHR for job classification and reference verification. Discussions are being held on the possible adoption of the Inspira system, and a date for implementation will also be discussed with management.</p>	<p>Under implementation</p>
<p>Recommendation 21, paragraph 152</p> <p>The Board recommends that UNFCCC establish a comprehensive monitoring framework for the selection processes.</p>	<p>The UNFCCC has established a monitoring matrix to capture benchmarks for human resources related activities in line with the selection process.</p>	<p>Under implementation</p>

<i>Recommendations^a</i>	<i>Comments by the secretariat</i>	<i>Status of implementation</i>
<p>Recommendation 22, paragraph 161</p> <p>The Board recommends that UNFCCC transparently report on actuals vs. budget figures for all of its funding sources, taking into account differences of timing and reporting basis.</p>		Under implementation
<p>Recommendation 23, paragraph 168</p> <p>The Board recommends that UNFCCC include an analysis of the reasons for the differences between budgeted and actual occupancy rate and its impact in its budget performance report.</p>		Under implementation

^a The recommendations are reproduced as received from the Board.

Table 2

Recommendations of the United Nations Board of Auditors for the year that ended on 31 December 2017

<i>Recommendations^a</i>	<i>Comments by the secretariat</i>	<i>Status of implementation</i>
<p>Recommendation 1, paragraph 60</p> <p>The Board recommends that UNFCCC review its funding policy for after-service health insurance and repatriation liabilities, in particular the duration of the accumulation phase, and seek a COP decision on the funding plan.</p>	<p>A funding policy review has been undertaken and results have been presented to management. A draft policy will be presented for consideration by Parties at SBI 52.</p>	Under implementation
<p>Recommendation 2, paragraph 74</p> <p>The Board recommends that UNFCCC clarify the roles of audit focal points at all levels; in particular update the delegation to a specific function, preferably the Deputy Executive Secretary, establish clear terms of reference including division of responsibilities between the secretariat's management and the focal points from the individual programmes and ensure that this information is disseminated to all staff.</p>		Under implementation
<p>Recommendation 3, paragraph 88</p> <p>The Board recommends that UNFCCC critically examine its policies on hiring consultants and individual contractors and whether there is still reason for maintaining them.</p>	<p>The secretariat has engaged the services of a policy consultant who will be working with Legal Affairs and Administrative Services under the supervision of the Deputy Executive Secretary to support the secretariat with policy reviews and implementation as required in the audit recommendation.</p>	Under implementation

<i>Recommendations^a</i>	<i>Comments by the secretariat</i>	<i>Status of implementation</i>
<p>Recommendation 4, paragraph 89</p> <p>If UNFCCC should conclude to continue applying its own policies, the Board recommends that UNFCCC adhere to the delegated authority including the required agreement of the USG-AM and update its guideline on consultants and individual contractors in the light of United Nations' policies.</p>	<p>The secretariat has engaged the services of a policy consultant who will be working with Legal Affairs and Administrative Services under the supervision of the Deputy Executive Secretary to support the secretariat with policy reviews and implementation as required in the audit recommendation.</p>	<p>Under implementation</p>
<p>Recommendation 5, paragraph 117</p> <p>The Board recommends that UNFCCC expedite the revision process of its procurement policy and procedures in order to provide an up-to-date basis for its procurement activities.</p>		<p>Under implementation</p>
<p>Recommendation 6, paragraph 138</p> <p>The Board recommends that UNFCCC perform a fraud risk assessment in line with or embedded in the enterprise risk management.</p>		<p>Under implementation</p>
<p>Recommendation 7, paragraph 139</p> <p>The Board recommends that UNFCCC dedicate an organizational function which coordinates, implements and monitors the implementation of the fraud and anti-corruption framework (focal point).</p>		<p>Under implementation</p>

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