

United Nations  Nations Unies  
**BOARD OF AUDITORS**

The Board has reported separately on the implementation of the International Public Sector Accounting Standards. This report (A/69/155) is already under consideration by the Fifth Committee.

*Financial management*

The Board's review of the financial position of entities that have implemented IPSAS, and for some entities still using UNSAS, shows that all entities can demonstrate a basically sound financial position. The cash ratio for **UNRWA** and UNFPA is less than 1:1, but the Board notes that this shortfall is only in terms of liquidity, and that both entities have relatively good current ratios, involving other (near-cash) current assets which can be converted to meet liabilities as they fall due. Overall, UN-Women's financial position is sound.

### *Managing globally dispersed operations*

The Board continues to note problems being faced by entities in striking the right balance between sufficient flexibility and delegated authority in the field versus the right level of monitoring, intervention and oversight by headquarters. Examples of this theme are seen in the reports on UNODC, UN-Women, UNHCR, UNFPA, UNDP and on peacekeeping operations.

The Board highlights UNHCR's positive response to the huge influx of refugees into Jordan arising from the Syrian Arab Republic situation, in terms of mobilising resources and moving from an emergency towards a more sustainable refugee operation. The Board highlights the introduction of biometric recognition system for refugee registration as a positive development. But also highlights some lessons that need to be implemented in future, including the need for more flexible recruitment procedures where fast track recruitment is needed during an emergency.

### *Budgets*

The Board is increasingly reporting on weaknesses in budget formulation, execution and reporting in entities. For example, this has been a recurring theme in the Board's annual reports on peacekeeping activities.

In the current report on UN Volume 1, the Board reports that the regular budget is not built on an accurate understanding of the actual costs of mandate delivery; and consumes too much managerial overhead for the level of change incurred in budgets across biennia. It also offers an analysis of the strategic and operational value the regular budget offers as a key management tool when assessed against international best practice. This indicates that while the regular budget process offers benefits in terms of consensus amongst member states, it is deficient in many important dimensions as a management tool.

The Board offers this analysis at a time when the budget module for the United Nation's new enterprise resource planning system is being designed. In this regard the Board recommends that those parts of the process focused on the preparation of the budget proposal and within the purview of management be reviewed to secure efficiencies and potentially improvements in the utility of the budget proposal as a decision making tool. The Board provides practical examples of how unnecessary steps can be stripped out of the process.

The Board also recommends that management consider the ways in which the strategic value of the budget process and proposal might be enhanced (for example, through the use of capital budgets or through the inclusion of longer term scenario analysis and forecasting) recognising that any changes would need to be approved by the General Assembly. This is entirely consistent with the Secretary General's responsibility for the preparation of the budget (consistent with General Assembly resolutions 41/213, 42/211 and 58/269 and the Financial Regulations and Rules that govern the regular budget process



### *Business transformation in the United Nations*

The United Nations is undergoing a large number of major business transformation activities. The new enterprise resources planning system (Umoja) in particular is at a critical juncture as management need to address the issues stemming from the roll-out of foundation in peacekeeping and Special Political Missions, and plan the remaining roll-outs on a more realistic basis, as reported in more detail in the Boards separate report on Umoja (A/69/158).

While noting positive steps to improve the UN Management Committee's focus on business transformation, the Board highlights in its Concise Summary (A/69/178) a number of issues for senior management to address going forward (paragraphs 92 and 93 of the Concise Summary).

### *Status of implementation of previous recommendations*

The Board considers that based on its dialogue with management, and with a rate of full implementation of its recommendations for all entities of 55 per cent, there is good evidence of management commitment to implementation.

### *Proposals on future reports on CMP and IPSAS*

The Committee will note that in the respective reports the Board makes the following proposals:

**On IPSAS**, the Board proposes (paragraph 5 of the Board's report on IPSAS (A/69/155), in light of all entities adopting IPSAS in 2014, that this year's fourth progress report is the last such report. The focus will now shift away from IPSAS implementation towards how each entity is using the new accounting framework to improve the way in which it is delivering its mandates, and Board commentary on this will be more effectively encompassed in the specific entity reports and in the annual concise summary if necessary. This proposal is cost neutral as the Board did not request any audit fee for the production of the annual IPSAS reports over the course of the last four years.

**On the CMP**, the Board proposes (paragraphs 4 and 5 in the Summary of the eleventh progress report on the CMP (A/69/5 Vol. V) that in light of the envisaged completion of the project in 2015 that the Board's twelfth progress report on the CMP in 2015 is the last such progress report. If the GA is amenable to this proposal the Board will assess the audit fee implications (having received an audit fee for the CMP work) taking into account the new work likely to start on the strategic heritage plan.

Chair

That concludes my statement. My colleagues and I will, as ever, be happy to answer any questions you may have during the informal sessions of the Committee.

**Director of External Audit (UK)**  
**Chair of the Audit Operations Committee**