Sixty-first session
Item 113 of the provisional agenda*
Financial reports and audited financial statements,
and reports of the Board of Auditors

Concise summary of principal findings and conclusions contained in the reports prepared by the Board of Auditors for the General Assembly at its sixty-first session

Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly, pursuant to Assembly resolution 47/211 of 23 December 1992, the concise summary of principal findings and conclusions contained in the reports on the audit of the accounts for the financial period ended 31 December 2005, prepared by the Board of Auditors.

* A/61/150.
Letters of transmittal

28 July 2006

I have the honour to transmit to you the concise summary of principal findings, conclusions and recommendations contained in the reports prepared by the Board of Auditors for the General Assembly at its sixty-first session.

(Signed) Guillermo Carague
Chairman, Philippine Commission on Audit
and Chairman
United Nations Board of Auditors

The President of the General Assembly
of the United Nations
New York
28 July 2006

I have the honour to transmit to you the concise summary of principal findings, conclusions and recommendations contained in the reports prepared by the Board of Auditors for the General Assembly at its sixty-first session and the letter of transmittal to the President of the General Assembly.

(Signed) Guillermo Carague
Chairman, Philippine Commission on Audit
and Chairman
United Nations Board of Auditors

The Secretary-General of the United Nations
New York
Concise summary of principal findings and conclusions contained in the reports for the period ended 31 December 2005 prepared by the Board of Auditors for the General Assembly at its sixty-first session

Summary

The General Assembly, in its resolution 47/211 of 23 December 1992, invited the Board of Auditors to report in a consolidated fashion on major deficiencies in programme and financial management and on cases of inappropriate or fraudulent use of resources, together with the measures taken by United Nations organizations in that regard. The findings and conclusions included in the present summary are mainly those that are in relation to common themes in 15 organizations audited by the Board. The detailed findings and related recommendations that relate to a particular organization can be found in the separate audit report on that organization. A list of the organizations audited by the Board appears in annex I. In its previous report (A/59/162), the Board commented on 16 organizations; however, the present report excludes comments on the United Nations Office for Project Services since its Executive Board has granted approval for the postponement of financial statements until 30 November 2006.

In the present report, the Board addresses the following issues: audit opinions; non-expendable property; liabilities for annual leave; programme expenditure; treasury and cash management; funding strategies; inter-agency coordination; response to the tsunami; procurement and contract management; human resources management; information and communication technology; cases of fraud and presumptive fraud; and write-off of losses of cash, receivables and property.
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I. Previous recommendations not fully implemented


2. The Board has summarized, in an annex to each report, the status, as at mid-2006, of each organization’s implementation of the Board’s recommendations for the financial period ended 31 December 2003. A table summarizing the status of implementation of the recommendations by organization is contained in annex II to the present report. All 12 organizations had, to varying degrees, not fully implemented some recommendations. Furthermore, 10 had yet to implement some recommendations. Of the 545 recommendations made in the previous biennium (including the recommendations mentioned in para. 1 above), 282 (52 per cent) had been fully implemented, 229 (42 per cent) were in the process of implementation and 34 (6 per cent) had not been implemented. Of the implemented recommendations, 59 had been made prior to the biennium 2002-2003; of the not implemented recommendations, 10 had been made prior to the biennium 2002-2003.

3. The Board has noted the progress made in implementing its recommendations; however, it again encourages those organizations which have not fully implemented the recommendations to take action in this regard, with emphasis on outstanding recommendations dating back to the biennium 2000-2001 and earlier. The Board invites the administrations to allocate specific responsibility for the implementation of all recommendations to individuals or divisions and to do so within a

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2 Ibid., Supplement No. 5 (A/61/5 (vol. IV)), chap. II.
3 Ibid., Supplement No. 5A (A/61/5/Add.1), chap. II.
4 Ibid., Supplement No. 5C (A/61/5/Add.3), chap. II.
5 Ibid., Supplement No. 5D (A/61/5/Add.4), chap. II.
6 Ibid., Supplement No. 5E (A/61/5/Add.5), chap. II.
7 Ibid., Supplement No. 5I (A/61/5/Add.9), chap. II. The Board audits and reports on the Fund of the United Nations International Drug Control Programme, which is managed by the United Nations Office on Drugs and Crime.
8 Ibid., Supplement No. 5K (A/61/5/Add.11), chap. II.
predetermined time frame in line with General Assembly resolution 47/211 of 23 December 1992.

II. Issues

A. General concerns

Administrations’ assistance in the conduct of the audit

4. The work of the Board of Auditors during the biennium 2004-2005 was facilitated with the assistance of the administrations of the United Nations Secretariat and the funds and programmes. In some instances, however, the Board’s established audit time frames were not adhered to and therefore affected the Board’s commitments to the General Assembly and other governing bodies due to the following factors:

   (a) Reliable financial statements were not always available on time;

   (b) Despite a clear imposition of cut-off dates for the closure of financial statements, late adjustments were subsequently made to the accounts as well as financial statements.

5. With the impending implementation of the international accounting standards, the delivery of properly certified financial statements on a timely basis could be a challenge to the administrations in future and requires the appropriate attention of the administrations.

Implementation of International Public Sector Accounting Standards

6. The General Assembly’s decision that the Administration should adopt the International Public Sector Accounting Standards (IPSAS) in 2010 is a welcome development. The Board considers that the Administration should properly manage the transition to IPSAS in a manner that allows for a smooth adoption in 2010. The Board is aware that some organizations intend to adopt IPSAS at an earlier date and the Board therefore hopes that lessons would be drawn from these experiences that could then serve as input to the United Nations system-wide implementation of IPSAS.

B. Audit reports and opinions

7. The Board of Auditors has audited the financial statements and reviewed the operations of the 15 organizations listed in annex I, in accordance with General Assembly resolution 74 (I) of 7 December 1946. The audits were conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto (ST/SGB/2003/7), the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency, and the International Standards on Auditing. Those standards require that the Board plan and perform the audits to obtain reasonable assurance as to whether the financial statements are free of material misstatement.
8. The audits were conducted primarily to enable the Board to form an opinion as to whether the expenditures recorded in the financial statements had been incurred for the purposes approved by the governing bodies, whether income and expenditure had been properly classified and recorded in accordance with the Financial Regulations and Rules and whether the financial statements presented fairly the financial position as at the reporting date and the results of the operations for the period under review. The audits included a general review of financial systems and internal controls and a test examination of accounting records and other supporting evidence to the extent that the Board considered necessary in order to form an opinion on the financial statements.

9. In addition to the audit of the accounts and financial transactions, the Board carried out reviews under financial regulation 7.5. The reviews primarily focused on the efficiency of financial procedures, the internal financial controls and, in general, the administration and management of the organizations. The Board’s audit included various field visits.

10. Arising from these audits, the Board issued short form reports, which reflected the Board’s audit opinions, and long form reports, which reflected the detailed findings and recommendations of each audit. The long form reports provided the basis for the preparation of this concise report and the conclusions reached herein.

11. Of the 15 organizations listed in annex I, the Board issued unqualified opinions for 12 (the United Nations, the United Nations High Commissioner for Refugees, the International Trade Centre UNCTAD/WTO (ITC), UN, UNICEF, UNRWA, UNITAR, UN-Habitat, UNODC, the International Criminal Tribunal for Rwanda, the International Criminal Tribunal for the Former Yugoslavia, and UNJSPF. For UNDP, the United Nations Environment Programme (UNEP) and the United Nations Population Fund (UNFPA), the Board issued unqualified opinions with various emphasis of matter paragraphs.

12. The list in annex I does not include the United Nations Office for Project Services (UNOPS). No certified financial statements were submitted to the Board for consideration. Also, the Board’s review of the draft financial statements provided indicators of significant misstatements and errors. Accordingly the audit of UNOPS for the biennium 2004-2005 was not concluded by the date of this concise summary report and was postponed until such time that UNOPS could provide reliable financial statements for the biennium ended 31 December 2005. That resulted in the management of UNOPS requesting a postponement of submission of the financial statements from its Executive Board. Approval was granted by the Executive Board.

9 Ibid., Supplement No. 5 (A/61/5 (vol. III)), chap. II.
10 Ibid., Supplement No. 5B (A/61/5/Add.2), chap. II.
11 Ibid., Supplement No. 5C (A/61/5/Add.3), chap. II.
12 Ibid., Supplement No. 5D (A/61/5/Add.4), chap. II.
13 Ibid., Supplement No. 5H (A/61/5/Add.8), chap. II.
14 Ibid., Supplement No. 5K (A/61/5/Add.11), chap. II.
15 Ibid., Supplement No. 5L (A/61/5/Add.12), chap. II.
16 Ibid., Supplement No. 9 (A/61/9), chap. II.
17 Ibid., Supplement No. 5A (A/61/5/Add.1), chap. II.
18 Ibid., Supplement No. 5G (A/61/5/Add.7), chap. II.
**Emphasis of matters**

13. Regarding the concerns expressed by the Board regarding UNDP:

(a) Programme expenditure implemented by Governments and non-governmental organizations under the nationally executed expenditure modality and subject to audit amounted to $3.2 billion for the biennium 2004-2005. In respect of the 2004 year, project auditors issued disclaimers of opinion ($10.5 million); adverse opinions ($10 million); and qualified opinions ($13 million). The extent of project audit qualifications could not be determined for 2005, as these had yet to be analysed by UNDP by June 2006. In addition, the effectiveness of internal controls and procedures in respect of nationally executed expenditure could be further improved;

(b) UNDP had a total of 615 bank accounts, 56 managed at headquarters and 536 at country offices as well as 6 payroll bank accounts managed by the United Nations Secretariat and 17 bank accounts managed on behalf of other United Nations agencies, with balances totalling $134 million as at 31 December 2005. Although UNDP performed the final December 2005 reconciliation for all bank accounts, monthly reconciliations had not been prepared for headquarters and country office bank accounts during the biennium 2004-2005. That resulted in a key control not being performed during the biennium 2004-2005, which could have resulted in fraud and errors going undetected;

(c) UNDP had implemented a new enterprise resource planning system in January 2004. Internal control deficiencies existed during the biennium 2004-2005, such as lack of adequate segregation of duties; general ledger module pertaining to bank reconciliations was not activated for most of 2004; and no automated reconciliation between the subsidiary ledger and general ledger bank account.

14. In the case of UNEP, the Board drew attention to note 8 to the financial statements, which showed non-expendable property at an amount significantly different from the value stated in the supporting inventory reports. That variation ($10 million) occurred since the financial statement disclosure ($11.2 million) was based on acquisition costs while items in the inventory report ($1.2 million) were stated at fair market value.

15. In respect of UNFPA, nationally executed project audit reports provided by independent auditors reflected a significant number of modified audit opinions. The exact extent of project audit qualifications and the impact thereof could not be determined for the biennium, as these had not been analysed by UNFPA. The Board did not have adequate assurance that nationally executed expenditure funds provided had been spent for the purposes intended. In addition, the effectiveness of internal controls and procedures in respect of nationally executed expenditure could be further improved.

16. Similarly, for UNHCR, audit certificates covering expenditures of $66.7 in 2002 and $68.5 in 2003 were not submitted by implementing partners by 1 April 2006, and therefore the extent of audit qualifications could not be determined. UNHCR, however, agreed to address the issue in 2006.
C. Non-expendable property

17. As disclosed in the notes to the financial statements of the United Nations and its funds and programmes, the value of non-expendable property totalled approximately $1.1 billion as at 31 December 2005, as reflected in table 1. At the United Nations, UN-Habitat, UNEP, UNICEF, UNHCR, UNODC and the International Criminal Tribunal for Rwanda, the Board noted several instances where the recording and maintenance of property records and reporting of the value of non-expendable property were deficient.

18. The Board noted the following examples of deficiencies: (a) the inventory reports included items that could no longer be located or accounted for; (b) inconsistency in valuation of items; (c) items not included in the inventory report; (d) absence of physical count; (e) lack of property records; (f) non-issuance of personal property receipts; and (g) incomplete and inaccurate information in the inventory reports.

Table 1
Values of non-expendable property, 2002-2003 and 2004-2005
(Millions of United States dollars)

<table>
<thead>
<tr>
<th>Organization</th>
<th>2002-2003</th>
<th>2004-2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Nations</td>
<td>243.1</td>
<td>298.4</td>
</tr>
<tr>
<td>ITC</td>
<td>2.9</td>
<td>3.8</td>
</tr>
<tr>
<td>UNU</td>
<td>5.2</td>
<td>5.5</td>
</tr>
<tr>
<td>UNDP</td>
<td>149.3</td>
<td>75.3</td>
</tr>
<tr>
<td>UNICEF</td>
<td>118.6</td>
<td>128.3</td>
</tr>
<tr>
<td>UNRWA</td>
<td>54.5</td>
<td>56.4</td>
</tr>
<tr>
<td>UNITAR</td>
<td>0.2</td>
<td>0.3</td>
</tr>
<tr>
<td>UNHCR</td>
<td>385.3</td>
<td>372.7</td>
</tr>
<tr>
<td>UNEP</td>
<td>15.9</td>
<td>18.7</td>
</tr>
<tr>
<td>UNFPA</td>
<td>69.3</td>
<td>88.7</td>
</tr>
<tr>
<td>UN-Habitat</td>
<td>2.3</td>
<td>7.2</td>
</tr>
<tr>
<td>UNODC</td>
<td>14.4</td>
<td>15.6</td>
</tr>
<tr>
<td>ICTR(^a)</td>
<td>14.5</td>
<td>17.2</td>
</tr>
<tr>
<td>ICTY(^b)</td>
<td>14.5</td>
<td>17.1</td>
</tr>
<tr>
<td>UNJSPF</td>
<td>8.4</td>
<td>13.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1 098.4</strong></td>
<td><strong>1 118.8</strong></td>
</tr>
</tbody>
</table>

\(^a\) International Criminal Tribunal for Rwanda.

\(^b\) International Criminal Tribunal for the Former Yugoslavia.
D. Liabilities for annual leave, end-of-service and post-retirement benefits

19. In his report to the General Assembly (A/60/450 and Corr.1), the Secretary-General proposed that the Assembly consider a funding mechanism for liabilities for after-service health insurance (excluding liabilities for accrued annual leave and unpaid repatriation and relocation entitlements). In its previous report (A/59/162), the Board reiterated its recommendation that the United Nations and its funds and programmes review the funding mechanism and targets for liabilities for end-of-service and post-retirement benefits. The estimated liabilities for the post-retirement benefits were estimated to aggregate to an amount exceeding $3.3 billion as at 31 December 2005, of which $222 million was funded, as reflected in table 2.

Table 2
Liabilities for annual leave, end-of-service and post-retirement benefits, 2004-2005
(Millions of United States dollars)

<table>
<thead>
<tr>
<th>Organization</th>
<th>Estimated liability</th>
<th>Funded</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Nations</td>
<td>2,290.83-2,300.83</td>
<td>0</td>
</tr>
<tr>
<td>UNU</td>
<td>5.93</td>
<td>0</td>
</tr>
<tr>
<td>UNDP</td>
<td>406.9</td>
<td>162</td>
</tr>
<tr>
<td>UNICEF</td>
<td>368.2</td>
<td>60</td>
</tr>
<tr>
<td>UNRWA</td>
<td>168.07</td>
<td>0(^a)</td>
</tr>
<tr>
<td>UNODC</td>
<td>8.7</td>
<td>0(^b)</td>
</tr>
<tr>
<td>ICTR(^c)</td>
<td>43.2</td>
<td>0</td>
</tr>
<tr>
<td>ICTY(^d)</td>
<td>27(^e)</td>
<td>0</td>
</tr>
<tr>
<td>ITC</td>
<td>47.6</td>
<td>0</td>
</tr>
<tr>
<td>UNITAR</td>
<td>2.9</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,369.33-3,379.33</strong></td>
<td><strong>222.4</strong></td>
</tr>
</tbody>
</table>

\(^a\) For UNRWA, funds were provided from the savings within the staff cost budget.

\(^b\) For UNODC, a contingency of $1.3 million was shown under note 16. Valuations for 2003 were used instead of valuations for 2005, which were unavailable.

\(^c\) International Criminal Tribunal for Rwanda.

\(^d\) International Criminal Tribunal for the Former Yugoslavia.

\(^e\) For 2003.

E. Programme expenditure

20. In its previous report (A/59/162) the Board reported on its review of programme expenditure at UNDP, UNFPA, UNICEF, UNHCR and UNODC.\(^19\)


\(^19\) As previously reported, two modalities for accounting for funds transferred to implementing partners are used by the United Nations and its funds and programmes (see A/59/162, para. 37).
### Table 3  
**Programme expenditure, 2002-2003 and 2004-2005**  
(Millions of United States dollars)

<table>
<thead>
<tr>
<th>Organization</th>
<th>2002-2003</th>
<th>2004-2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Nations</td>
<td>2,964.6</td>
<td>3,612.2</td>
</tr>
<tr>
<td>ITC</td>
<td>83.7</td>
<td>104.1</td>
</tr>
<tr>
<td>UNU</td>
<td>65.1</td>
<td>81.3</td>
</tr>
<tr>
<td>UNDP</td>
<td>4,872.8</td>
<td>6,656.5</td>
</tr>
<tr>
<td>UNICEF</td>
<td>2,736.1</td>
<td>3,790.6</td>
</tr>
<tr>
<td>UNRWA</td>
<td>824.6</td>
<td>987.5</td>
</tr>
<tr>
<td>UNITAR</td>
<td>15.4</td>
<td>22.5</td>
</tr>
<tr>
<td>UNHCR</td>
<td>1,865.8</td>
<td>2,209.4</td>
</tr>
<tr>
<td>UNEP</td>
<td>374.5</td>
<td>510.5</td>
</tr>
<tr>
<td>UNFPA</td>
<td>421.5</td>
<td>494.7</td>
</tr>
<tr>
<td>UN-Habitat</td>
<td>94.8</td>
<td>169.3</td>
</tr>
<tr>
<td>UNODC</td>
<td>137.9</td>
<td>167.0</td>
</tr>
<tr>
<td>ICTR&lt;sup&gt;a&lt;/sup&gt;</td>
<td>208.3</td>
<td>252.5</td>
</tr>
<tr>
<td>ICTY&lt;sup&gt;b&lt;/sup&gt;</td>
<td>284.3</td>
<td>302.7</td>
</tr>
<tr>
<td>UNJSPF</td>
<td>2,435.8</td>
<td>2,808.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>17,385.2</strong></td>
<td><strong>22,169.3</strong></td>
</tr>
</tbody>
</table>

*Source*: Statements of income and expenditure and changes in reserves and fund balances for the year ended 31 December 2005.  
<sup>a</sup> International Criminal Tribunal for Rwanda.  
<sup>b</sup> International Criminal Tribunal for the Former Yugoslavia.

### Advances

22. At UNDP, national execution advances outstanding amounted to $86.5 million as at 31 December 2005, representing an increase of 11 per cent from the prior biennium in relation to the much higher overall increase of 21 per cent in nationally executed expenditure. No age analysis was available on the Atlas system but UNDP had initiated compensating steps to identify and clear long outstanding advances. At UNODC, advances outstanding to partners at the end of the biennium amounted to $1.85 million relating to 38 completed projects. However, there were advances outstanding for projects already completed several years earlier.

### Expenditure certificates and utilization reports

23. Of the 324 financial utilization reports at the United Nations Fund for International Partnerships (UNFIP) for the period ended 31 December 2005, 118 (36 per cent) had not been received by May 2006. Also, there were still 120 projects with end dates prior to 1 January 2004 that had not been financially closed, of which only 86 financial utilization reports (72 per cent) had been received by May 2006. Furthermore, $2.08 million pertaining to 12 projects was not recorded in the financial statements in 2005 since the accounts were closed before the related financial utilization reports were received.
Project audits of nationally executed expenditure database

24. At UNDP, nationally executed project audits continued to be audited based on the extent of expenditure incurred (threshold of $100,000). At UNFPA, a risk database had been implemented but was not yet functioning as effectively as intended. The UNFPA monitoring database of nationally executed project audits included details of the project auditors but it was incomplete.

25. The Board noted that at UNHCR, the following information was not adequately documented: number of partners and sub-projects, by category of implementing partner (intergovernmental and United Nations agencies; governmental partner; international and local non-governmental organizations); breakdown of disbursements and audit certificates, by category of implementing partner; and types of audit opinions issued by the project auditors.

Audit coverage

26. At UNDP, nationally executed expenditure projects subject to audit amounted to $3.2 billion for the biennium 2004-2005. By June 2006, project audit reports were outstanding for projects amounting to $546 million.

27. At UNODC, the audit coverage for the biennium 2004-2005 amounted to 63 per cent as at April 2006.

28. At UNHCR, by May 2006 no audit certificates were available relating to amounts paid to implementing partners in 2005 since they were only required within six months of the final date for liquidation of commitments, that is, July 2006. By May 2006, statistics on audit certificates covering 2004 expenditures were not yet available. Accordingly, UNHCR did not have adequate assurance on the proper use of funds.


30. At UNDP, where qualified project audit opinions were provided, the basis of qualification was not always clear. Furthermore, the amount of the qualification was not always provided.

31. At UNFPA, it was not evident that UNFPA had provided the terms of reference to project auditors, which resulted in inconsistencies in the audit scope and objectives and consequently in audit reports of different quality and the audit of different objectives. UNFPA had also yet to address certain shortcomings and inconsistencies existing in the Policies and Procedures Financial Manual regarding audit objectives, scope and reporting.

Adequacy of follow-up

32. UNDP received 78 follow-up action plans out of 114 in respect of the 2004 nationally executed project audits. Furthermore, of 17 country offices issued with qualified audit reports in respect of all nationally executed projects audited, four country offices had not submitted country office action plans by May 2006.

33. At UNFIP, narrative reports are required from implementing partners within 90 days following completion or termination of the project. UNFIP received only 92 reports out of 313 completed projects as at 31 December 2005. In addition, there
was no set time frame within which substantive units were required to submit their narrative reports to their respective headquarters in order for the latter to take action on those reports.

F. Treasury and cash management

Treasury and investment management

34. The United Nations and several of its funds and programmes managed material short-term or medium-term financial assets. Investment balances including cash and cash pool totalled $33.1 billion as at 31 December 2005, as reflected in table 4.

Table 4
Cash and term-deposits, investments and cash pools, 2002-2003 and 2004-2005
(Thousands of United States dollars)

<table>
<thead>
<tr>
<th>Organization</th>
<th>2002-2003</th>
<th>2004-2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Nations</td>
<td>1 336 868</td>
<td>1 947 718</td>
</tr>
<tr>
<td>UNDP</td>
<td>2 489 783</td>
<td>4 133 966</td>
</tr>
<tr>
<td>UNFPA</td>
<td>265 111</td>
<td>346 072</td>
</tr>
<tr>
<td>UN-Habitat</td>
<td>62 436</td>
<td>129 039</td>
</tr>
<tr>
<td>UNEP</td>
<td>237 404</td>
<td>244 707</td>
</tr>
<tr>
<td>UNU</td>
<td>302 312</td>
<td>297 797</td>
</tr>
<tr>
<td>ICTY*</td>
<td>4 429</td>
<td>45 955</td>
</tr>
<tr>
<td>UNICEF</td>
<td>961 359</td>
<td>2 194 511</td>
</tr>
<tr>
<td>UNHCR</td>
<td>191 771</td>
<td>133 335</td>
</tr>
<tr>
<td>UNRWA</td>
<td>140 560</td>
<td>177 541</td>
</tr>
<tr>
<td>UNITAR</td>
<td>7 286</td>
<td>13 590</td>
</tr>
<tr>
<td>UNODC</td>
<td>66 855</td>
<td>73 910</td>
</tr>
<tr>
<td>ICTR b</td>
<td>3 813</td>
<td>12 782</td>
</tr>
<tr>
<td>UNJSPF</td>
<td>19 155 261</td>
<td>23 307 779</td>
</tr>
<tr>
<td>ITC</td>
<td>27 257</td>
<td>37 815</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>25 252 505</strong></td>
<td><strong>33 096 517</strong></td>
</tr>
</tbody>
</table>

* International Criminal Tribunal for the Former Yugoslavia.

b International Criminal Tribunal for Rwanda.

Performance of investments

35. At UNDP, total investments amounted to $3.13 billion as at 31 December 2005 (in 2002-2003: $2.02 billion). That included an investment for after-service health insurance that amounted to $170.9 million (in 2003: nil). According to the UNDP Treasury Division Policies and Procedures Manual, a benchmark is selected to reflect the investment objectives and portfolio characteristics and to measure the performance of the portfolio manager. UNDP benchmarked the performance of its investment portfolio against the 12-month London Interbank Offered Rate (LIBOR).
36. The UNDP portfolio consisted of various investment instruments with varying maturities, such as certificate of deposits, time deposits and bonds. The return on individual investment types was different from the return received on, for example, money market funds (one-day maturity). UNDP outperformed the 12-month LIBOR benchmark during the years 2001, 2002 and 2003 and underperformed during the years 2004 and 2005. The 12-month LIBOR would not be an appropriate benchmark to use for all UNDP investments, since a portion of the portfolio (namely, the after-service health insurance reserve) had a longer dated target maturity profile. The UNDP investment committee had recommended adding the average yield for each different type of investment instrument for future investment committee meetings.

37. The United Nations Office at Geneva is responsible for the management of the investments of the United Nations Staff Medical Insurance Society (UNSMIS). The UNSMIS portfolio consisted of three components: money market deposits; bond portfolio; and externally managed funds by fund manager. The interest amounts and the performance percentage of the investments for the biennium 2004-2005 were low compared with the official schedule of benchmark investments rates such as the Euro Interbank Offered Rate (EURIBOR). The Board noted that the average performance of the funds invested for UNSMIS produced an earning of 0.71 per cent in the biennium 2004-2005, whereas EURIBOR generated 2.84 per cent of average return. The United Nations Office at Geneva explained that it did not pursue primarily the goal to maximize return on invested funds. UNSMIS and United Nations investment policies stipulate that the return on investment is a tertiary objective after the preservation of capital and the liquidity.

38. UNHCR did not have cash pooling agreements in place, neither for Headquarters nor for field accounts. From January to June 2005, UNHCR held $58 million on average in its bank accounts. UNHCR did not seek to optimize returns by investing excess holdings on term deposits.

**Cash management**

39. UNDP evaluated the cash balances required at country offices. The evaluation indicated that there were a number of country offices with accumulated cash balances in excess of the optimal cash balances. Some of the reasons for the high cash balances included excess drawings; contributions received in local currencies; abnormal increases in disbursements or spending patterns; and country offices not converting and transferring surplus local currency to the United States dollar bank accounts at headquarters.

40. The UNOV/UNODC internal treasury manual indicated that the bank balance of the United Nations Office at Vienna should not be below $1 million or over $2 million. However, the balance exceeded $2 million for 40 days in 2005 and the balance was $4.5 million as at 31 December 2005.

41. Member organizations’ contributions were received in the UNJSPF Investment Management Service (IMS) bank accounts (about $91 million each month in 2004). UNJSPF kept 0.5 per cent of its assets, or about $150 million, in cash for operational use. Since early 2005, contributions were remitted directly to the bank accounts of the UNJSPF secretariat. These contributions were mainly received at the beginning of each month, while the bulk of UNJSPF payments was made at the end of the same month. The average balance held by UNJSPF exceeded $138 million after February 2005, whereas monthly disbursements averaged $117 million in
2005. As a result, there was no need for the UNJSPF secretariat to request cash from IMS to pay benefits after February 2005. Therefore, there were excess funds, which could have been better invested.

42. At United Nations Headquarters, while the Operations Processing Integrated Control System (OPICS) is capable of ensuring that losses in foreign exchange or global currency exposure could be minimized, it had not been fully utilized to provide reliable information and reasonable assurance that the United Nations would be able to pay its obligations on time and at the most advantageous foreign exchange rates. OPICS was installed only in June 2005.

43. Liquidity risk is the risk of not being able to meet commitments due to a shortage of cash. To avoid such an eventuality, short-term projected cash flows for each currency should be measured and monitored to anticipate future funding or investment requirements.

44. The Board followed up on its previous recommendation\(^20\) that UNDP prepare, monitor and evaluate short-term projected cash flows for all country offices, in each currency in order to anticipate future funding or investment requirements. UNDP was unable to successfully implement a cash position worksheet tool embedded in the cash management module of the Atlas system because of technical complexities and the lack of accurate payment forecasts by United Nations agencies. UNDP had prepared guidelines requiring manual preparation by the country offices to monitor short-term projected cash flows. UNDP intended to begin with piloted projects across various country offices to monitor and evaluate short-term projected cash flows in the foreign currency. The results of the piloted projects would then eventually be rolled out to all country offices.

45. UNHCR did not have appropriate tools for formalized treasury forecasting. Treasury was aware of forecast payments at headquarters approximately 30 days in advance and only when informed by field offices. Cash inflows were not forecast either, as UNHCR relied on pledges for which the payment date was not always known. As a result, funds were invested for shorter periods than they would have been with better visibility. UNHCR planned to fully implement the treasury information system at the field level in 2007.

46. At UNRWA, the treasury technical instructions had not been updated to specify that cash from each fund group could not be used interchangeably to meet cash flow requirements without the approval of the Commissioner General.

**Treasury information system**

47. OPICS, the United Nations treasury management system, did not facilitate the tracking and validating of the flow of cash, which had to be done manually. The system was also not capable of posting payment instructions. The posting also had to be done manually.

48. Likewise, fund sufficiency control was not available, which required the treasury at United Nations Headquarters to undertake a complex manual process. Furthermore, the determination of end-of-day outstanding cheques in each fund was a time-consuming process. The treasury considered that the Operations Processing

Integrated Control System reported daily cash flows. However, those reports did not provide reasonable assurance that a return on the bank account balances had been optimized. The treasury performed a daily and monthly manual reconciliation of transactions. That posed a high risk of error and did not facilitate an efficient cash and investment management.

**Cash management module**

49. At UNHCR, the cash management module of the Management Systems Renewal Project did not provide a full-fledged treasury information system. In addition, UNHCR did not fully use the treasury module available in the Management Systems Renewal Project. Accordingly, treasury transactions had to be recorded manually.

**Compliance and risk management**

50. Within the UNHCR treasury, there was no proper segregation of duties on functions such as bank and cash management, payment authorization and foreign exchange transactions as well as replenishment payments to country offices. Also, there were no guidelines on procedures to be followed should the agency wish to invest in new instruments.

**Investment pooling**

51. The United Nations Office at Vienna did not participate in the investment pool managed by the treasury at United Nations Headquarters. Had that been done, the United Nations Office at Vienna would have been in a position to invest funds in excess of $2 million, thereby generating revenue.

**Treasury policies and procedures**

52. At the United Nations Office at Vienna, a treasury manual issued in 2001 did not cover areas such as the mission, goals and objectives of the treasury, the definition of positions with responsibilities and authorities, liquidity policy, credit policy, code of conduct, operational controls and reporting requirements.

**Foreign exchange exposure**

53. At UNHCR, there was no foreign exchange risk policy: the time lag between the receiving and payment of pledges; the monthly revaluation of monetary assets, currency conversions (expenditure-driven); differences between the exchange rates used in the preparation of the budget and the United Nations monthly operational rate of exchange; and in general the time lag between the recording of income and expenditure. As at 31 December 2005, UNHCR incurred an actual foreign exchange loss of $12 million and unrealized losses of $24 million.

54. UNHCR faced global exposure as payments and receipts were not made in the same currencies and at the same period. Exchange rate fluctuations were in the long run “neutral” on UNHCR operations. From 1991 to 2001, the combined net exchange gains and losses were zero. However, UNHCR did find that, based on a study of annual cash flows in 2004, it faced a significant risk. Euro-zone currencies (euros, Swiss francs, etc.) accounted for 18 per cent of its budget and pounds sterling for an additional 6 per cent of its budget. That gap created risk exposure in
the event of depreciation of euro-zone currencies or pounds sterling. Although UNHCR had a significant foreign exchange risk it did not hedge against risk exposure. It was reviewing its risk policy and objectives and exploring what strategy would be appropriate to mitigate important risks.

### Bank reconciliation

55. UNDP had a total of 615 bank accounts, of which 56 were managed at headquarters, 536 were managed at 136 country offices, 6 were payroll bank accounts managed by the United Nations and 17 were bank accounts managed on behalf of UNFPA and UNOPS. The Board noted that in respect of the headquarters and country office bank accounts, monthly reconciliations had not been prepared during the biennium 2004-2005. Monthly bank reconciliations were not performed at headquarters during the biennium because: (a) no postings were made to the general ledger, since the latter had been operational only since late 2004; (b) the reconciliation of the subsystems to the general ledger could only be completed after closing the subsystem and in 2004 and 2005 the subsystems had not been closed on a monthly basis; (c) there was one consolidated general ledger bank account for all headquarters bank accounts, making it difficult to match reconciling items to specific bank accounts; and (d) the procedures for preparing bank reconciliations within the Atlas system were cumbersome and not well understood by the finance staff. Similar difficulties were experienced in respect of the country office bank account reconciliations.

56. At four country offices, fraud amounting to $0.56 million during the biennium 2004-2005 was attributable to either a lack of bank reconciliations or bank reconciliations not being performed in a timely manner.

57. Discrepancies existed between the subsidiary and general ledgers in respect of both the headquarters and country office bank accounts. By June 2006, the discrepancies were $4 million and $2.5 million in respect of headquarters and the country offices respectively and were being investigated by UNDP.

58. UNDP provided treasury services to UNFPA but, with the exception of December 2004 and 2005, monthly bank reconciliations were not prepared throughout the year for 13 bank accounts of UNFPA.

### G. Funding strategies

59. The United Nations and its funds and programmes rely on voluntary contributions, partially or entirely, including the funding of their core budget and activities. However, the Board noted that funding strategies were not always effective, considering their importance to the viability of the organizations and the delivery of their mandates.

60. The Board noted that the Economic Commission for Europe (ECE) and the United Nations Conference on Trade and Development (UNCTAD) lacked a formal and comprehensive funding strategy to support objectives set by their governing bodies. Notwithstanding those two cases, most organizations had adopted principles and objectives guiding their fund-raising policy.

61. Non-earmarked contributions were often insufficient. At UNODC, contributions to the general-purpose programmes decreased by $2.1 million
(52 per cent) during the biennium 2004-2005. Voluntary contributions received by UNITAR for its General Fund represented less than 30 per cent of the total income posted to the General Fund in 2004-2005. Efforts have been made to provide more sustainable funding to core budget and general funds and attract a steadier flow of donors (at UNITAR and UNODC). At UNHCR, non-earmarked contributions represented 18 per cent of total resources, below the objective of 25 per cent set by the organization.

62. Some of the organizations were dependent on a small number of donors. For instance, at UNHCR, although the donor base was widened in 2005, only three donors have been funding 50 per cent of the income from Governments; and at UNICRI, two donors contributed 79 per cent of the total.

63. Alternatives to voluntary contributions from Member States should be more proactively considered. For example, at UNHCR, funds received annually from the private sector have been representing 2-3 per cent of total contributions since 2001; however, according to priorities for fund-raising adopted in 2005, 10-20 per cent of the UNHCR budget should be sourced from the private sector beginning in 2010.

64. The Board noted the limited resources devoted to fund-raising activities. At UNITAR, fund-raising for the General Fund was the exclusive responsibility of the Executive Director. At ECE, general fund-raising tools have been developed and are periodically issued to potential donors, but few initiatives have been taken to promote them, and fund-raising activities were most often limited to informal meetings with donors. At UNCTAD, fund-raising activities were mostly based on individual initiatives from project managers. At UNHCR, 16 staff members and $5.3 million were allocated to private sector fund-raising in 2004, compared with 216 staff members and $33.8 million at UNICEF. That resulted in a ratio of return on investment of 3.77 for UNHCR and 14.5 for UNICEF, and total income from private sector fund-raising amounted to $20 million at UNHCR and $509 million at UNICEF.

H. Inter-agency coordination

65. In his report “Renewing the United Nations: a programme for reform” (A/51/950, paras. 17 and 18), the Secretary-General stated that sustainable development, post-conflict peacebuilding, emergency relief operations, the link between humanitarian assistance and development coordination were some of the policy concerns that cut across both sectoral and institutional boundaries. The Secretary-General also stated that alliances and partnerships with the specialized agencies and other organizations must become part of normal organizational routine.

66. The United Nations Development Group was established in 1997 with the objective of facilitating joint policy formation and decision-making, encouraging programmatic cooperation and realizing management efficiencies. It was also intended to bring about change at the regional and country office levels where all United Nations programmes would be integrated within the United Nations Development Assistance Framework. The membership of the United Nations Development Group consisted of 25 United Nations funds, programmes, departments and specialized agencies, and 5 observers (including the World Bank), of which 4 agencies (UNDP, UNFPA, UNICEF and the World Food Programme) make up the Executive Committee of the United Nations Development Group.
67. In response to the 2005 World Summit Outcome (General Assembly resolution 60/1), the Secretary-General established in February 2006 a high-level panel to explore how the United Nations system could work more coherently and effectively throughout the world in the areas of development, humanitarian assistance and the environment. The study was intended to complement the other major reform initiatives at the United Nations.

68. The Board has reviewed inter-agency coordination during 2005 focusing on the following aspects: the compilation of the common country assessments and United Nations development assistance frameworks; resident coordinator system; joint office initiative; and common premises and services. The Board would continue to focus on these and other related issues during future audits in the context of the development of the study being undertaken by the high-level panel established by the Secretary-General, as well as the other initiatives for improved harmonization undertaken by the United Nations Development Group.

United Nations Development Assistance Framework and common country assessments

69. The United Nations Development Group prepared guidelines to facilitate, among other things, the compilation of the common country assessments and United Nations development assistance frameworks. According to the guidelines for United Nations country teams, issued in October 2003, the United Nations Development Assistance Framework should be completed on or before December of the penultimate year of the current programming cycle and signed by no later than 31 March in the final year of the current programming cycle.

70. The Secretary-General, in his report entitled “In larger freedom: towards development, security and human rights for all” (A/59/2005, para. 199), stated that the United Nations Development Assistance Framework should identify a clear set of strategic objectives and define the specific assistance that each United Nations entity must give to help national partners achieve the goals and meet their broader development needs and that Governments and the United Nations itself could then use that “results matrix” to monitor and assess the performance of the United Nations system at the country level and hold its representatives accountable.

71. According to the guidance provided on drafting the United Nations Development Assistance Framework, selected national goals or targets should relate to specific Millennium Development Goals and/or other commitments, goals and targets. For the United Nations development assistance frameworks reviewed, national priorities were not always linked or referenced to specific Millennium Development Goals, and United Nations Development Assistance Framework outcomes were not always identified in the “results matrix” of the United Nations Development Assistance Framework. That would make any kind of aggregation of results difficult.

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21 A country-based process for reviewing and analysing a national development situation and identifying key issues as a basis for advocacy, policy dialogue and preparation of the United Nations Development Assistance Framework.

22 A planning and resource framework for the country programmes and projects of agencies in the United Nations system. It is developed on the basis of the analysis of the common country assessment.
72. At UNICEF, the Board noted that for two country offices, the United Nations Development Assistance Framework had been produced too late for consideration of the country programmes, while in another country office the United Nations Development Assistance Framework had not yet been issued by May 2006.

Country office coordination

73. UNICEF did not always participate in inter-agency coordination meetings in two country offices. In one country office, the minutes of the United Nations country team reflected concerns regarding the poor quality of inter-agency coordination.

74. The Economic Commission for Africa (ECA) was established as the regional arm of the United Nations in Africa. A United Nations country team was established in Ethiopia with the head of UNDP as the United Nations Resident Coordinator. The country team held regular meetings, at least monthly, but the representative of ECA did not attend all United Nations country team meetings in Ethiopia because the efforts of ECA were focused more on the African continent as a whole. Accordingly, ECA played no part in compiling the common country assessment and the United Nations Development Assistance Framework for Ethiopia.

75. ECA also considered that the main constraints to effective inter-agency coordination were the lack of effective communication between agencies and the lack of clear guidelines on how to coordinate efforts at the regional level. There was no formal and effective mechanism in place between ECA and other United Nations agencies for deliberating on possible areas of regional cooperation.

Resident coordinator system

76. The General Assembly, in section V of its resolution 59/250 of 22 December 2004, reaffirmed that the resident coordinator system had a key role to play in the effective functioning of the United Nations system at the country level. Resident coordinators, who are funded and managed by UNDP, lead United Nations country teams in more than 130 countries and are the designated representatives of the Secretary-General for development operations. Working closely with Governments, resident coordinators and country teams advocate the interests and mandates of the United Nations, drawing on the support and guidance of the entire United Nations family. The resident coordinator system brings together the different United Nations agencies to improve the efficiency and effectiveness of operational activities at the country level.

77. As part of the United Nations reform, UNDP has introduced country directors to enhance the effectiveness of the resident coordinator system. Country directors were appointed in 13 countries: Afghanistan, Burundi, Côte d’Ivoire, Democratic Republic of the Congo, Haiti, Indonesia, Iraq, Liberia, Sierra Leone, Somalia, Sri Lanka, Sudan and Timor-Leste.

78. Under the delegated authority of the resident coordinator or resident representative, the country director would assume overall responsibility for and coordinate the operational and programmatic activities of UNDP and report to the UNDP Resident Representative. The establishment of a country director results in a more effective resident coordinator function, which ultimately strengthens the effectiveness of inter-agency coordination.
79. In order to expand the modality to encompass countries with large country teams, programmes and complex coordination or development situations, the UNDP Administrator had requested the support of donors to fund 40 country directors from extrabudgetary resources. UNDP intended to fund a further seven country director positions from regular resources for a total of $4.5 million during the biennium 2006-2007.

**Resident coordinator training**

80. Although certain training had been provided, there were no continuous training programmes. The United Nations Development Group Office planned to launch, by the fourth quarter of 2006, a pilot project for training resident coordinators on the United Nations system and its mandates and roles. That training would also involve representatives from other agencies.

81. A first-time induction course for resident coordinators and resident representatives was planned to be rolled out by the United Nations System Staff College. Two pilot courses were scheduled for September and October 2006.

**Resident coordinator assessment system**

82. The United Nations Development Group Office had envisioned a new assessment system for resident coordinator and regional director teams. The UNDP resident representative assessment would lead to one resident coordinator/humanitarian coordinator/designated official/resident representative team leader rating. The United Nations Development Group Office anticipated the full system to be rolled out by 2007. However, the performance appraisal of the resident coordinator did not document how the assessment results would be filtered into training.

**Lessons learned**

83. Lessons learned with regard to the resident coordinator system were maintained on the United Nations Development Group intranet. There was currently an “open mailbox” of past discussions of the Coordination Practice Network. However, the information was inadequate and had not been updated since October 2005. The United Nations Development Group Office informed the Board that it would accelerate the collection of good practices and revamp the lessons learned page on the United Nations Development Group website.

**Resourcing**

84. The Secretary-General, in his report entitled “In larger freedom” (A/59/2005, para. 198), stated that at every stage of United Nations activities, the senior United Nations official present in any given country — special representative, resident coordinator or humanitarian coordinator — should have the authority and resources necessary to manage an integrated United Nations mission or “country presence” so that the United Nations could truly function as one integrated entity. The responsibility for resourcing was still an agency-specific issue.

85. An amount of $13.5 million was provided by UNDP to the United Nations Development Group Office for allocation to the various country teams. The United Nations Development Group Office allocated additional funds to certain country
offices based on the situation in the country. The Office informed the Board that some of the factors that were considered by the focal points were the merit of the submitted workplan; past period deliveries; the situation in the country; and the implementation of the common country assessments and United Nations Development Assistance Framework (for which an additional $20,000 was granted, while an additional $10,000 was provided to those country offices that had implemented a country programme action plan). The budget allocations by the geographical focal points were, however, not based on a written guideline defining the criteria for allocation.

Joint offices

86. In his report entitled “Strengthening the United Nations: an agenda for further change” (A/57/387, and Corr.1), the Secretary-General advocated the concept of a joint office in countries where United Nations resources were small. A joint office would have one common country programme and unified office with a common set of business processes. It would combine the activities of the agency programmes and implement the activities in an integrated manner. A joint office would have one representative for the following four agencies: UNDP, UNFPA, UNICEF and WFP. The representative covering all four agencies would be the delegated authority and the resident representative.

87. The pilot project for the only joint office had commenced in Cape Verde on 1 January 2006. Guyana was the second country office nominated for the joint office pilot project. In addition, the Government of Viet Nam had shown interest in implementing the joint office principle. The United Nations Development Group Office envisaged that the joint office principle would be rolled out to 10 country offices within two years.

88. A support agency model was adopted as an interim joint office model, whereby externally the office would be one United Nations office, but internally it would use the business processes of one of the four agencies. The Board noted that different Enterprise Resource Planning (ERP) systems could be an impediment in this regard (for instance UNDP uses Peoplesoft while UNICEF uses Systems, Applications, Products in Data Processing (SAP)) and some agencies had not yet implemented their ERPs in country offices (UNICEF and UNHCR). The Board noted areas of the joint office principle that had created difficulties, such as budgeting, fund releases and reporting by the joint office to the participating agencies.

Common premises and services

89. In the absence of full fledged joint offices and in accordance with the Secretary-General’s United Nations reform programme, establishing common services and common premises at the country level leads to increasing efficiency and effectiveness in the implementation of United Nations country programmes while fostering inter-agency coordination. Another objective of the common premises was to build closer ties among United Nations staff and promote a more unified presence at the country level in a cost-effective manner.
According to UNDP, 60 officially designated United Nations Houses had been established worldwide by May 2006. The Board noted that 8 of the 12 UNDP country offices visited during the biennium did not have an established United Nations House.

Five of the UNICEF country offices visited by the Board were not located in joint United Nations premises. The main obstacles to the implementation were the fact that only some United Nations agencies benefited from free or preferential accommodation in accordance with their Basic Cooperation Agreement and the insufficient incentives.

The Board noted that 5 of the 12 UNDP country offices visited did not have updated and signed memorandums of understanding between UNDP and other agencies for common premises and, in certain instances, for common services. Not having a signed memorandum of understanding in place may result in the various agencies being unaware or unclear of their duties and responsibilities. The United Nations Development Group Office informed the Board that the Working Group on Common Premises and Services of the United Nations Development Group Executive Committee reviewed the memorandums of understanding on common premises that have been signed by agencies in the field and that a standard template had been developed for such a memorandum of understanding.

The UNDP Nordic Office, UNFPA, UNOPS and WFP, including the Inter-Agency Procurement Services Office (IAPSO) (utilizing the United Nations House in Copenhagen), signed a revised memorandum of understanding in August 2005. The Board noted that the memorandum of understanding did not include a provision for updating and/or revising the agreement at regular intervals.

ECA provided the premises for other United Nations agencies in Ethiopia. It had concluded memorandums of understanding with all United Nations offices and agencies and other commercial entities occupying space within the United Nations compound. The memorandums of understanding did not stipulate the payment terms or the penalty clauses for late payments. Furthermore, the memorandums of understanding did not include the floor size, a description of the rental area and the rate to be charged per occupied square metre.

Monitoring and evaluation of performance on common services are integral to effective management. An operations management team had been set up in Copenhagen to identify the benefits and investigate possible common services to be utilized by United Nations agencies. The functions of the operations management team included undertaking monitoring, evaluation and reporting. UNDP advised the Board that signing service level agreements was the first step in the process of monitoring and evaluating common services.

It was to hold meetings with the operations management team and the heads of participating agencies to analyze and brief them on the financial status of the common service operations. Also, the operations management team, together with
IAPSO, was to develop targets and a tracking mechanism for measuring the performance of the common services provided.

97. At five UNICEF country offices, despite numerous time-consuming diagnostic exercises pointing to the potential benefits of a joint approach, the range of common services was limited. In three of the countries audited, common services were implemented in the area of security. United Nations agencies also shared travel services and courier services, as well as a dispensary and a petrol station.

98. There were two obstacles to further progress in the sharing of services. Small agencies could benefit proportionately more than larger agencies from the economies of scale brought about by common services. That could reduce the incentives for large agencies to become involved in the process. The other obstacle was the difficulty of achieving consensus among many agencies on actions to be taken.

Common services programme

99. The common services programme attempts to reduce costs and increase efficiency and coordination of United Nations operations. The United Nations Development Group Office was in the process of presenting workshops on the common services programme to all country offices. The workshops covered aspects such as United Nations harmonizing and bringing agencies together; achieving cost savings; teaching staff the value of common services; and analysing cost versus benefit.

100. The presentation of the workshops was expected to be completed by the end of 2006. By 31 December 2005, the workshops had been presented to 44 out of 134 country offices at a cost of $816,156 or an average of $18,549 per office. Ninety country offices had yet to implement the common services programme by the end of 2006. Using the same average cost per office, the estimated resources required to implement the programme amounted to $1.67 million in comparison to the remaining approved budget of approximately $0.81 million for the roll-out of the common services approach to the country offices. UNDP planned to set up a separate project in the Atlas system to manage this budget and to implement a more rigorous control of actual costs. The United Nations Development Group Office also requested an evaluation of the programme to assess its impact. By May 2006, the report had not yet been made available.

Common services management system

101. UNDP planned to pilot the common services management system in 22 country offices. The roll-out of the common services management system was planned to be completed in the third quarter of 2006. However, in April 2006, the roll-out was suspended pending the results of common services programme review. The Working Group on Common Services and Premises was continuing populating the system with baseline information. After the completion of the roll-out, the system was expected to be regularly used by all country offices.

Common service experts

102. Common service experts are staff appointed to provide capacity-building, training, monitoring and technical advice in respect of common service initiatives. The functions and duties of common service experts include providing training,
mentoring and technical advice; contributing to development and implementation of overall common services programme tools; ensuring that inter-agency common services initiatives are established and/or advanced in all the countries within their respective regions; fostering regional and interregional networking arrangements as well as a peer-to-peer country system; and assisting in organizing regional common services meetings. The common service experts reports to the Working Group on Common Services and Premises.

103. The programme for the expansion of common services, which was endorsed by the Management Group of the United Nations Development Group in December 2003, was rolled out in country offices through a regional approach, using common service experts. This approach covered six common service regions: Western/Central Africa, Eastern/Southern Africa, Arab States-North Africa, Asia-Pacific Islands, Latin America-Caribbean, and Eastern Europe/Commonwealth of Independent States. For each region, an inter-agency team of common service experts was established.

104. The Board noted that in two countries visited, the common service experts had not been utilized to identify common services or to provide assistance and expertise required in this regard.

**Inter-agency procurement**

105. The Inter-Agency Procurement Working Group was established in 1977 as one of the first inter-agency coordination mechanisms. It is a forum for chief procurement officers in the United Nations system to promote coordination and share practices. IAPSO, which also has a mandate to promote inter-agency coordination as part of its research and development activities, serves as the secretariat of the Inter-Agency Procurement Working Group. IAPSO recovers its costs from surplus income generated from its procurement business.

106. IAPSO was well positioned to further coordinate efforts in the United Nations system in the area of procurement. However, in practice, procurement coordination was driven by the agenda of the Inter-Agency Procurement Working Group. IAPSO acted on decisions of the Inter-Agency Procurement Working Group in a way similar to that of all the other participants of the Working Group. The Working Group has made a number of notable contributions to promoting inter-agency coordination. However, as a forum of experts, it did not have the mandate to authoritatively lead inter-agency coordination and cooperation and relied heavily on the voluntary commitment of participants at the meetings.

107. There were no formalized processes or directives to ensure that country office inter-agency coordination and cooperation properly extends to procurement. IAPSO could have a key role in supporting the resident coordinators in this regard and indicated that it remained available to do so. However, it did not have any plans to proactively get involved in this process. IAPSO had not systematically provided formal guidance on promoting procurement coordination and collaboration at the country office level. It indicated that it did not generate sufficient profit to both support the role of the secretariat of the Inter-Agency Procurement Working Group and to provide that support to the resident coordinator function. IAPSO considered that it would require a mandate from UNDP to take on a role in facilitating procurement coordination via the resident coordinator function and to have a funding source to support that activity.
108. There were several collaboration initiatives emanating from the Inter-Agency Procurement Working Group that involved IAPSO. In 2004, IAPSO was directly involved in providing a platform for the communication of long-term agreements and other purchasing information. It had done so although the platform had not yet been fully populated. The Inter-Agency Procurement Working Group decided in May 2005 that all organizations should commit themselves to having as their sole procurement portal the United Nations Global Marketplace, a database of suppliers available to all United Nations and World Bank procurement personnel.

109. One of the key decisions taken by the Inter-Agency Procurement Working Group in 2004 was that each of the United Nations agencies involved in wide-scale procurement activities would specialize in the pre-qualification of select commodities. In 2005, the United Nations agencies agreed in principle to the allocation of commodities. While this progress was recognized, the “lead agency” concept was a long-standing matter that dated back to the first meeting of the Inter-Agency Procurement Working Group, held in 1976.

110. The “lead agency” initiative resulted in benefits and the prevention of overlap in the procurement of such commodities. However, there were no further collaboration efforts in this regard beyond the pre-qualification of vendors. There could be further benefits in extending this concept of collaboration to the other elements of the operational procurement cycle, such as contract awarding processes and vendor performance evaluations.

111. IAPSO considered that collaborative opportunities were limited because there was often insufficient clarity at the organizational level of the type of activities that organizations should be involved in. UNDP has a broad, diverse mandate in the development area, and the range of commodities that it requires is likely to be very large. UNOPS, for example, was initially established as a project management specialist; in practice, however, it pursues opportunities for procurement, since that generates revenues needed to finance its overhead (see also JIU/REP/2004/9).

112. IAPSO also considered that procurement by United Nations organizations supported the business strategy of those organizations. The procurement function of each organization was therefore arranged accordingly. In addition, the extent to which procurement of United Nations organizations is not coordinated is a reflection of the extent of overlap of the functions of the various agencies. However, IAPSO indicated that it had sought to collaborate with other United Nations organizations in Copenhagen and to that end had offered to accept outsourced procurement from UNOPS and had cooperated to provide operational procurement services in support of UNFPA for certain items through the online catalogue UN Web Buy.

113. IAPSO was able to determine its costs by applying an activity-based costing methodology. The other agencies (e.g. UNFPA and UNOPS) were unable to do so. IAPSO contained its transaction costs by charging a handling fee averaging 3 per cent while, according to IAPSO, other United Nations agencies estimated equivalent costs at 4-18 per cent. IAPSO promoted its practices with regard to activity-cost coding among its United Nations counterparts in order to encourage a better determination of costs.

114. At UNICEF, collaborative purchasing was limited. Between 2000 and 2004, direct procurement by UNICEF amounted to an average of $1.97 million a year. This represents 2.1 per cent of the overall procurement expenditure of UNICEF.
procurement services. Over three quarters of that amount related to purchases on behalf of the World Health Organization (WHO) and UNDP.

115. UNICEF may not engage in such transactions in the absence of a memorandum of understanding. At the time of the audit, such an agreement had been signed with UNDP and UNFPA, but not with WHO. The head of UNICEF procurement services wrote in 2003 that WHO gave no sign of recognizing UNICEF as a lead agency other than in vaccine procurement. It also consistently ignored the requirement for some form of an agreement. As a result, WHO was informed that the UNICEF procurement services would no longer provide it with quotations for certain products.

116. UNICEF considered that sister agencies such as WHO, UNOPS and UNDP/IAPSO had established or strengthened procurement capacity for pharmaceuticals, an area which had been referred to UNICEF for lead procurement.

117. In the period 2000-2004, UNICEF purchased $6.94 million worth of supplies from other United Nations agencies, an average of $1.4 million a year, or 0.22 per cent of overall purchases and 0.32 per cent of all offshore purchases. Those figures did not include purchases under long-term arrangements negotiated with suppliers with or by other United Nations agencies.

118. The Inter-Agency Procurement Working Group secretariat compiled a list containing the long-term arrangements of seven United Nations agencies (the United Nations, IAPSO, the International Fund for Agricultural Development (IFAD), UNICEF, UNOPS, UNRWA and WFP), but there were no consolidated data on the prices involved or the use of those long-term agreements by other United Nations agencies. The most significant cooperation related to two freight-forwarding long-term arrangements, shared with other United Nations agencies. For vehicles, UNICEF had its own long-term arrangements based on the IAPSO agreement, at the same price. However, because of the production lead times in the IAPSO agreement, vehicles were not usually available for immediate delivery. UNICEF had therefore negotiated two other long-term arrangements with car dealers at a premium of approximately 20 per cent. Similarly, UNICEF purchased HIV test kits and contraceptives via long-term arrangements shared respectively with WHO and UNFPA, for a total of $5.4 million in 2004, as well as various medical devices.

119. United Nations agencies have used UNICEF long-term arrangements. For instance, UNHCR had used the long-term arrangement on mosquito nets for beds to purchase some 150,000 nets at a price of $3.8 each instead of $4.7 each (price quoted by the supplier to UNHCR), a saving of $0.13 million.

120. UNHCR used space in the UNICEF warehouses in Copenhagen and Dubai, where both agencies stock some identical items. However, UNICEF and UNHCR did not combine their orders to get bulk discounts from suppliers. Their stocks were managed separately in those shared premises. There was no joint management, which could have resulted in a lowering of the overall amount of stock or in economies of scale.

121. There was no mechanism at ECA to facilitate a common service strategy with the other agencies housed in the United Nations compound. Table 5 shows the unit price obtained from the procurement section of ECA in order to assess the possible gains and economies of scale for ECA and the United Nations offices and agencies.
Table 5  
**Comparative prices for selected items**  
(United States dollars)

<table>
<thead>
<tr>
<th>Description</th>
<th>ECA</th>
<th>UNDP</th>
<th>UNICEF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Photocopy paper (500 P)</td>
<td>3.52</td>
<td>3.40</td>
<td>4.12</td>
</tr>
<tr>
<td>CD-R</td>
<td>0.75</td>
<td>1.04</td>
<td>0.69</td>
</tr>
<tr>
<td>Executive chair (local)</td>
<td>173.61</td>
<td>225.69</td>
<td>145.83</td>
</tr>
<tr>
<td>Printer toner (HP-2300)</td>
<td>106.48</td>
<td>91.44</td>
<td>127.31</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>284.36</strong></td>
<td><strong>321.57</strong></td>
<td><strong>277.95</strong></td>
</tr>
</tbody>
</table>

I. **Response to the tsunami**

122. On 26 December 2004, an earthquake off the coast of Indonesia created a massive tsunami affecting countries such as Indonesia, Sri Lanka and Thailand. An estimated 240,000 people died as a result of the disaster and over a million people were displaced. An earthquake on 28 March 2005 further affected Nias, Simeuluë and the southern parts of Aceh in Indonesia.

123. The Board visited offices of the Office for the Coordination of Humanitarian Affairs of the Secretariat, UNDP, UNHCR and UNICEF located in the three most affected countries (Indonesia, Sri Lanka and Thailand). The Board also visited Office for the Coordination of Humanitarian Affairs headquarters in New York and Geneva, as well as the headquarters of UNEP and UN-Habitat in Nairobi.

124. During the biennium 2004-2005, the United Nations, its funds and programmes received $980 million for the tsunami and spent $359 million, a 36.7 per cent implementation rate, as reflected in table 6.

Table 6  
**Tsunami-related income and expenditure of the United Nations, its funds and programmes, 2004-2005**  
(Millions of United States dollars)

<table>
<thead>
<tr>
<th>Agency</th>
<th>Total available income</th>
<th>Expenditure</th>
<th>Proportion spent (percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNICEF</td>
<td>660.0</td>
<td>200.7</td>
<td>30.4</td>
</tr>
<tr>
<td>UNDP</td>
<td>158.2</td>
<td>76.2</td>
<td>48.2</td>
</tr>
<tr>
<td>UNHCR</td>
<td>59.2</td>
<td>34.0</td>
<td>57.4</td>
</tr>
<tr>
<td>UN-Habitat</td>
<td>32.2</td>
<td>9.4</td>
<td>29.2</td>
</tr>
<tr>
<td>UNFPA</td>
<td>30.3</td>
<td>19.1</td>
<td>63.0</td>
</tr>
<tr>
<td>OCHA*</td>
<td>21.6</td>
<td>13.8</td>
<td>63.9</td>
</tr>
<tr>
<td>United Nations Volunteers programme</td>
<td>7.8</td>
<td>0.9b</td>
<td>11.5</td>
</tr>
<tr>
<td>UNEP</td>
<td>6.6</td>
<td>3.2</td>
<td>48.5</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Agency</th>
<th>Total available income</th>
<th>Expenditure</th>
<th>Proportion spent (percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNIFEM&lt;sup&gt;c&lt;/sup&gt;</td>
<td>2.7</td>
<td>1.5&lt;sup&gt;b&lt;/sup&gt;</td>
<td>55.6</td>
</tr>
<tr>
<td>Other</td>
<td>0.4</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>979.0</strong></td>
<td><strong>358.8</strong></td>
<td><strong>36.7</strong></td>
</tr>
</tbody>
</table>


<sup>a</sup> Office for the Coordination of Humanitarian Affairs of the Secretariat.

<sup>b</sup> Data as at 31 October 2005.

<sup>c</sup> United Nations Development Fund for Women.

125. Agencies gave various explanations for the low implementation rate. UNDP and UNICEF indicated that their role in development activities, beyond humanitarian relief, justified carrying funds over to 2006 and beyond. UNHCR explained that delays in the building of shelters in Indonesia and Sri Lanka were due to legal and environmental reasons. Building houses after a natural disaster was not part of the core mandate of UNHCR, and that explained why it did not have the relevant in-house skills to undertake such projects. As regards UN-habitat, progress reports of tsunami projects indicated significant delays. The need for site preparation and cost run-ups were some of the issues identified in this regard.

**Emergency preparedness**

126. The primary responsibility for establishing and updating contingency plans and preparing for emergencies rested with each United Nations country team, under the leadership of humanitarian and/or resident coordinators. The Inter-Agency Standing Committee established a working group on disaster preparedness and contingency planning to provide guidance and support to humanitarian coordinators. There were no comprehensive, up-to-date United Nations system-wide disaster preparedness and emergency plans in Indonesia, Maldives or Sri Lanka. Since the tsunami, the Office for the Coordination of Humanitarian Affairs and UNDP have worked with Governments to develop national contingency plans.

127. UNICEF and UNHCR had developed emergency preparedness or contingency plans in the affected countries. However, they were not detailed and concrete enough to be of assistance during the early phase of the disaster. The Board noted some deficiencies such as:

(a) Lack of a clear human resources mobilization plan, lists of essential supplies and an emergency in-country logistic plan;

(b) Lack of awareness by some staff of the emergency preparedness and response planning or in sufficient training in the details of the plan;

(c) No formal endorsement or dissemination of a staff contingency plan.

**Assessment of needs**

128. The United Nations and its funds and programmes did not share a common rapid assessment methodology. UNICEF lacked standard assessment tools and guidance to support a consistent approach to rapid assessments and ensure comprehensive coverage and quality of assessment data. Only its country office in
Sri Lanka had developed standard assessment templates to ensure data comparability. However, they were not systematically used in the field.

129. After the tsunami, UNICEF had issued an updated emergency field handbook, which addressed the conduct of initial assessments. It had also developed a draft manual for rapid assessment. The manual could serve as input to other United Nations agencies engaged in humanitarian activities.

130. More than a year after the tsunami, some agencies had not devised detailed multi-year budgets and workplans regarding the use of requested funds. That was the case for UNICEF (Indonesia) and UNHCR (Indonesia and Sri Lanka). There was therefore a risk that the fund allocation process would be based on inaccurate needs assessment and that the agencies’ capacity would not be commensurate with the funds received.

Effectiveness of the immediate response

131. The response of UNICEF to the tsunami in the first 6-8 weeks was consistent with the programme commitments made. Given the scale of the devastation and the challenges of access to the affected areas, the UNICEF staff who took part in that operation deserved credit for their effective action.

132. The immediate response of the Office for the Coordination of Humanitarian Affairs to the tsunami was to deploy to the affected countries five United Nations Disaster Assessment and Coordination (UNDAC) teams consisting of 44 disaster-response experts from 18 countries and four international organizations. Although they were sent to the field in a timely manner, they were not provided with a briefing pack before arriving in the country of operation.

133. UNHCR participated in an operation at the request of the Secretary-General although not directly within its mandate related to refugee protection. Despite that peculiar situation, no specific UNHCR evaluation has been conducted in order to find out what lessons were learned for future involvement of UNHCR in relief operations arising from natural disasters.

134. UN-Habitat did not produce timely progress reports, a fact that hindered the identification of delays and cost over-runs.

Effectiveness of inter-agency coordination

135. The tsunami evaluation coalition (composed of the Office for the Coordination of Humanitarian Affairs, the Food and Agriculture Organization of the United Nations (FAO), UNDP, UNFPA, UNICEF, WHO, WFP, non-governmental organizations and donors) considered that, given the sheer number of participants, coordination was not effective. As the Office for the Coordination of Humanitarian Affairs admitted in its 2005 annual report, the competition among actors on the ground, in particular competition for clients or affected populations, and the lack of incentives to coordinate since funds were abundant, led to duplication and confusion.

136. In Sri Lanka, the Office for the Coordination of Humanitarian Affairs acknowledged that performance at the district level was not fully effective due to the deployment of junior staff without enough backup or equipment in many places. While some of the staff performed well beyond expectations, the overall picture as
recorded by the Tsunami Evaluation Commission was one of lack of effectiveness on the part of the Office for the Coordination of Humanitarian Affairs at the district level. 23

**Civilian-military coordination**

137. Although staff of the Office for the Coordination of Humanitarian Affairs had been positioned in the regional command centre in Thailand since 31 December 2004, they experienced severe communication problems with the field and were unable to effectively match requests and offers of military assets.

138. UNHCR used military means in the emergency phase. Most notably in Indonesia, it used Swiss rotating wings and United States or Indonesian army vehicles. There was, however, a lack of agreement between the United Nations and military forces apart from the Memorandum of Understanding between UNHCR and the Swiss army.

**Transition from emergency relief to rehabilitation**

139. The Office for the Coordination of Humanitarian Affairs had mixed successes in trying to coordinate the transition to recovery. In Thailand, the country team started considering recovery needs as early as 10 January 2005, at a time when the United Nations Disaster Assessment and Coordination team was still in the country. In Sri Lanka, the Office for the Coordination of Humanitarian Affairs contributed to the adoption by the country team of a transitional strategy in April 2005, following the midterm review of the flash appeal. A similar strategy had not yet been implemented in Indonesia as at February 2006. However, the Office for the Coordination of Humanitarian Affairs, UNDP and the United Nations Development Group had tried to plan the transition from relief to recovery and organized a joint visit to Indonesia in June 2005. Following the visit, the Office of the United Nations Recovery Coordinator for Aceh and Nias was created in September 2005. Its objective was to further the aims of United Nations reform while providing a unique counterpart to the Banda Aceh Jayah Reconstruction and Rehabilitation Agency.

**United Nations country team anti-fraud strategy**

140. Despite the level of funding received by United Nations agencies since the tsunami and the associated risks of wastage, mishandling of funds and corruption, the United Nations agencies present in Indonesia and Sri Lanka did not adopt a common strategy for dealing with fraud and corruption risks. As a result, there was no sharing of information between agencies for the purpose of blacklisting persons involved in procurement and other irregularities.

141. UNDP did not have a fraud prevention strategy in place at the time of the tsunami relief efforts. Such a strategy for UNDP was only circulated to the country office in August 2005, or eight months after the initial response to the emergency. Anti-fraud efforts had been undertaken in the implementation of the Banda Aceh emergency response and transitional recovery programme, in the form of a guidance note on accountability and transparency measures.

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Monitoring of financial flows

142. As the Financial Tracking System of the Office for the Coordination of Humanitarian Affairs did not cover expenditures, the Inter-Agency Standing Committee decided to create the Expenditure Tracking System, maintained by the Office for the Coordination of Humanitarian Affairs. Accordingly, the website of the Expenditure Tracking System was launched in May 2005. Participating agencies had committed themselves to providing information to the Office for the Coordination of Humanitarian Affairs in Geneva on a monthly basis. The Board noted the following shortcomings:

(a) Some agencies had not provided any expenditure information, even though they had requested funds as part of the flash appeal projects;

(b) Some agencies had not reported on the allocation to specific projects of non-earmarked funds;

(c) The Office for the Coordination of Humanitarian Affairs did not reconcile Expenditure Tracking System expenditure statements with the financial statements of participating agencies;

(d) There were inconsistencies between the Expenditure Tracking System figures, the donor assistance database\textsuperscript{24} figures, and the recovery Banda Aceh Nias database figures.

Financial controls

143. At the Office for the Coordination of Humanitarian Affairs, the information generated by two non-compatible information systems, the Integrated Management Information System (IMIS) of the United Nations (used by the headquarters of the Office for the Coordination of Humanitarian Affairs) and the Atlas system of UNDP (used by UNDP on behalf of the field offices of the Office for the Coordination of Humanitarian Affairs) led to significant delays.

144. Bank statements for two bank accounts in Indonesia were not available. Those bank accounts were opened without authorization and no monthly bank reconciliations were performed. Petty cash custodians were also not formally designated.

145. At UNICEF, cash assistance provided to local counterparts represented 40 per cent of 2005 tsunami expenditures. In Indonesia, the Office of Internal Audit identified a number of cases where implementing partners had no capacity to effectively manage funds. Furthermore, the UNICEF Office of Internal Audit considered that UNICEF staff were not aware of shortcomings of the local implementing partners and weaknesses in systems, such as poor internal financial reporting or low financial management expertise.

\textsuperscript{24} When the Expenditure Tracking System was conceived and agreed on by agencies, it was not yet known that the office of the special envoy would encourage the creation of donor assistance databases funded by UNDP and maintained by Governments. The databases would track the funding and expenditure of all tsunami-related activities, including long-term reconstruction (beyond the flash appeal).
Human resources mobilization

146. United Nations agencies deployed significant staff to the affected area. Despite the volume of the staff mobilization achieved, there were some weaknesses in the emergency recruitment process. Neither UNDP nor the Office for the Coordination of Humanitarian Affairs had a formalized database of staff experienced in the management of humanitarian disasters, which could serve as a tool in identifying staff for urgent deployment in complex disasters. UNDP, UNICEF and the Office for the Coordination of Humanitarian Affairs each set up its own roster of emergency personnel.

147. The recruitment procedures for temporary fixed-term contracts resulted in some delays. Although the Office for the Coordination of Humanitarian Affairs was able to open sub-offices in Indonesia between 9 January and 11 February 2005, some sub-offices in Sri Lanka that would have been needed in January 2005 could only be opened in March 2005. The Office for the Coordination of Humanitarian Affairs also suffered from vacancies in some of its most senior field positions, such as the deputy humanitarian coordinator in Banda Aceh, which was vacant for 19 weeks in 2005. For UNICEF, the time frame of recruitment for temporary fixed-term contracts was between four and nine months. In UNHCR offices in Sri Lanka, staff resources peaked in May and June 2005, when the initial emergency phase was over.

148. Other shortcomings noted at UNICEF included:

(a) At UNICEF, excessive turnover of staff; inconsistent procedures to identify the skills and experience; poor hand-over procedures; and competition between agencies for qualified candidates;

(b) At UNHCR, qualification of staff was not always in line with the needs;

(c) At the Office for the Coordination of Humanitarian Affairs, there were difficulties in recruiting staff members for short-lived missions;

(d) At UNDP, personnel deployed were not fully aware of operational requirements and guidelines, and insufficient time was provided for training.

Procurement, supplies and logistics management

149. UNDP increased the procurement authority of its Resident Representative to Indonesia to $1 million in January 2005, subject to the provision that copies of all contracts exceeding $100,000 be provided to the Office of Legal and Procurement Support for review on a post facto basis. However, the Board could not confirm that such contracts had been provided for review. Also, the lead time of UNDP purchases in Indonesia appeared to be excessive.

150. The supply and distribution planning at UNICEF, as well as market searches in most of the affected countries, resulted in a number of purchases remaining unused. Similarly, unutilized purchases in UNHCR offices in Sri Lanka totalled $1.3 million of tsunami funds in Indonesia and Sri Lanka.

151. At the Office for the Coordination of Humanitarian Affairs, purchases did not meet the requirements of the office for which they had been purchased and, at the time of the audit, were still unutilized.
J. Procurement and contract management

152. The Board’s collated findings on common procurement and contract management deficiencies are summarized in the present section. However, the Board has also presented extensive observations on procurement-related issues under the sections on inter-agency coordination (paras. 65-121 above) and tsunami relief operations (paras. 122-150 above).

Delegation of authority

153. According to financial rule 105.13, procurement authority shall be formally delegated to staff members performing procurement functions. Such was not the case at the United Nations Interregional Crime and Justice Research Institute, where the terms of authority in respect of procurement as delegated to the director have never been specified.25 At the United Nations Office at Geneva, delegation of procurement authority was issued to a new director of administration five months after assuming duty, while, by May 2006, updated delegations of authority to staff members of the United Nations Office at Geneva had yet to be issued.

Segregation of duties

154. Not all organizations complied strictly with applicable rules and regulations with regard to segregation of incompatible functions. At UNICEF, the Board found that invoices with a monetary value of $50,000 or more were certified and approved by the same accounting officer. Also, a significant amount of purchase orders placed by the Supply Division of UNICEF in 2005 did not comply with the rules, as they were approved by the certifying officer instead of an approving officer.

155. At the United Nations Office at Geneva, segregation with regard to the requisitioner, buyer and contract manager for catering services was inadequate since those functions were simultaneously performed by a single staff member.

156. At UNDP, vendors both created and approved by the same individual in the Atlas system could not be monitored, as the vendor creator was automatically overwritten by the vendor approver in the system.

Rotation of key staff

157. At some organizations, staff members have been in procurement functions for a long time. For example, the United Nations Office at Geneva and UNHCR, procurement staff members had been in charge for more than six years and nine years respectively, while there were also individual cases where seniority in procurement functions exceeded 20 years. Although there is no regulation or rule concerning restrictions for the length of time specialized staff may occupy positions in their areas of expertise, periodic rotation of staff responsible for procurement services constitutes a good practice that promotes better internal controls.

25 Also reported by the Board of Auditors in July 2002 (Official Records of the General Assembly, Fifty-seventh Session, Supplement No. 5 and corrigendum (A/57/5 (Vol. I) and Corr.1)).
Procurement planning

158. There was a lack of procurement plans at the United Nations, UNDP, UNHCR, UNICEF, the UNEP (Regional Office for Asia and the Pacific), UNU, UNODC and UNFPA, in contradiction with good practices and/or legislative directives. The impact on operations could be demonstrated in the case of UNFPA, where country offices initiated 43 per cent of the total purchase orders in the last three months of 2004 and 60 per cent of procurement requests in the last four months of that year.

159. The actual need for equipment was not always properly assessed, which resulted in purchased items remaining unused. Such was the case at the United Nations Office at Geneva, where security purchases with a monetary value of $0.26 million were purchased in 2005 in excess of needs.

Vendor management

160. There was significant room for improvement in respect of vendor management. Vendor databases were not updated in a timely and proper manner (UNHCR), and the registration of vendors was not systematically backed by relevant documentary evidence and sound assessment of their financial reliability (UNHCR, the Economic and Social Commission for Western Asia (ESCWA), the United Nations Office at Geneva, UNODC and the International Criminal Tribunal for Rwanda). In respect of UNDP, only 53,704 (12 per cent) of the 447,687 vendors had an active profile and were being utilized. No vendor review committee has been established (UNHCR) or written records of their meetings and decisions were not properly maintained (the United Nations Office at Geneva). Several contracts and purchase orders were awarded to non-registered vendors (the Economic Commission for Latin America and the Caribbean (ECLAC), the United Nations Office at Nairobi, the Economic and Social Commission for Asia and the Pacific (ESCAP), the Office of the United Nations Special Coordinator for the Middle East Peace Process and UNODC), in contradiction with existing United Nations procurement policies.

161. Vendors’ performance appraisals are necessary to ensure that contracts are awarded or extended only for those vendors who have demonstrated an acceptable level of service. Those appraisals were not always conducted in timely and proper manner at the Office of the United Nations Special Coordinator for the Middle East Peace Process, the United Nations Procurement Service, the International Criminal Tribunal for Rwanda and UNDP).

Solicitation of bids and approval of transactions

162. The Board noted shortcomings in respect of solicitation procedures, such as direct price negotiations between the requisitioner and a vendor; use of inappropriate solicitation procedures; systematic solicitation of invitees instead of public advertisements without proper authorization of the Secretary-General (at UNODC and the International Criminal Tribunal for Rwanda); and consideration of bids received after deadlines set in the invitation to tender (at UNHCR, UNODC and the Office for the Coordination of Humanitarian Affairs). Selection of vendors was not always supported by sound technical evaluations based on criteria set in the terms of reference (at UNODC). At the United Nations Office at Geneva and UNHCR, transactions were not always submitted to the local or headquarters committee on contract, although the value of procurement would have required it.
163. At ECLAC, the Office of the United Nations Special Coordinator for the Middle East Peace Process and UNICEF, some purchase orders were formally issued after delivery of goods or provision of services. At the Office for the Coordination of Humanitarian Affairs, equipment was supplied without formal requisitions and purchase orders.

Procurement lead times

164. The Board noted lengthy lead times in the procurement process from the placement of requisitions and the payment of acquisitions at the United Nations, UNDP, the International Criminal Tribunal for Rwanda, UNRWA, ESCWA and ESCAP that could have a negative impact on the efficiency of operations. There was not always monitoring of actual lead times against the benchmarks set or guidelines prescribed in the procurement plans.

165. Benchmarks relative to contract letting had not always been formalized. At UNDP, for example, there could be no monitoring against such benchmarks. In respect of emergency procurement, UNICEF had committed itself to delivering within 48 hours of major, acute emergency requests, but it did not monitor the implementation of that target.

K. Human resources management

Geographical representation of staff

166. Pursuant to section V of General Assembly resolution 59/266 of 23 December 2004, the Board conducted an audit of the implementation of the principle of geographical representation in the Secretariat at all levels, as set out in relevant resolutions of the Assembly, and verified the application of established measures of transparency and accountability at the selection, recruitment and placement process in compliance with relevant resolutions of the Assembly.

167. At the United Nations, as at 31 December 2005, 2,606 staff members were subject to geographical distribution among the 191 Member States, of which 17 were unrepresented, 8 were underrepresented, 99 were within range below midpoint, 43 were within range above midpoint and 24 were overrepresented. From 2004 to 2005, there was no improvement in the status of unrepresented Member States and minimal improvement for the underrepresented Member States, while the number of overrepresented Member States increased by seven, or 41 per cent.

168. A total of 23,207 nationals of various Member States with representation status of unrepresented, underrepresented and within range below midpoint applied for the 2004 and 2005 national competitive recruitment examination held in various countries.

169. A total of 220 candidates who passed the examination were included in the roster. Forty-five nationals of underrepresented Member States and four nationals of unrepresented Member States had passed the examination. The number of recruits for the biennium 2004-2005 was dominated by nationals of Member States with status of overrepresented and within range.

170. UNDP applied a “North/South” (developed countries/developing countries) geographical diversity balance in its selection processes. While UNDP had set as a
target a ratio of 50:50 for North and South countries, there were no formalized milestones in place against which to measure the achievement of geographical distribution targets.

171. At the International Criminal Tribunal for the Former Yugoslavia, 326 staff were in posts at the Professional level subject to geographical distribution. Five developed countries were overrepresented.

172. At UNITAR, the limited number of staff recruited did not allow for the trend to be revised significantly. The share of staff members from Europe and North America declined from 76 per cent in 2004 to 70 per cent in 2005.

Gender distribution

173. Pursuant to various General Assembly resolutions, in particular Assembly resolution 49/167 of 23 December 1994, the goal to achieve a 50/50 gender distribution by the year 2000 in all posts in the Professional category, overall and at each level, including posts at the D-1 level and above, applies throughout the Organization and in every department, office or regional commission, overall and at each level. It applies not only to posts subject to geographical distribution but also to all categories of posts, irrespective of the type or duration of appointment, the series of the staff rules under which the appointment is to be given or the source of funding.

174. For the biennium 2004-2005, the proportion of female staff was still below the desired goal of 50 per cent, as women were underrepresented in 5 of the 15 audited United Nations organizations, as shown in table 7.

Table 7
Gender distribution ratio of staff, 2004-2005
(Percentage)

<table>
<thead>
<tr>
<th>Organization</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Nations</td>
<td>63</td>
<td>37</td>
</tr>
<tr>
<td>UNDP</td>
<td>64</td>
<td>36</td>
</tr>
<tr>
<td>UNFPA</td>
<td>52</td>
<td>48</td>
</tr>
<tr>
<td>UNEP</td>
<td>62</td>
<td>38</td>
</tr>
<tr>
<td>ICTY(^a)</td>
<td>55</td>
<td>45</td>
</tr>
</tbody>
</table>

\(^a\) International Criminal Tribunal for the Former Yugoslavia

175. At UNEP, males dominated the number of initial appointments (60:40) and promotions (71:29) for the biennium 2004-2005. At the International Criminal Tribunal for the Former Yugoslavia, out of 140 promotions, 59 (42 per cent) were female; however, of the eight staff members promoted to posts at the P-5 level, only one was female. Of the 156 persons appointed by UNDP, 76 (48.7 per cent) were female. UNDP did not establish milestones against which to measure the achievement of the gender balance targets but it began establishing interim gender targets for 2007 and 2009.
Succession planning and vacancy rates

176. The Secretary-General determined a target of 120 days maximum to fill posts through effective human resources planning, as envisaged in his report on human resources management reform (A/55/253 and Corr.1). At UNDP, it was not possible to determine whether the target for filling posts had been achieved since there was no process to record and monitor the time taken for filling posts.

177. At UNFPA, a succession plan framework had not been formulated by 31 December 2005. The lead time in recruiting candidates was shortened by the use of rosters, especially for the posts of Representative and Deputy Representative. Based on the UNFPA staffing report as at 31 December 2005, there were a total of 53 vacancies for internationally recruited and headquarters locally recruited staff. As at 31 December 2005, there were 23 posts funded by biennial support and 30 project-funded posts vacant. The majority of the vacant posts funded by biennial support were at the P-5 and D-1 levels. Some were vacant due to the requirement for government clearances and difficulties in attracting candidates for the post of Representative in hardship locations.

178. While UNRWA was reviewing strategies for succession planning, opportunities for staff rotation and transfers were limited owing to the nature of the operations: the areas of operations were scattered within the region; some duty stations experienced frequent emergency situations; and the prevailing political and security situation in the region limited the movement, transfer and rotation of staff.

179. UNRWA considered 5 per cent as an acceptable norm for the proportion of vacant posts and endeavoured to fill vacancies within three months. At the field office in Gaza, 52 (41 per cent) of the 126 posts were vacant for more than three months. Similarly, 66 (29 per cent) of the 225 posts were vacant at the field office in Jordan for more than three months.

180. At the International Criminal Tribunal for Rwanda, the overall vacancy rate stood at 11 per cent (118 of 1,042 posts) in 2005. Fifty-two Professional posts and 66 General Service posts were vacant as at April 2006. Some of the posts had been vacant from May 2002 to August 2004. However, the full extent of the posts that had been vacant for long periods could not be determined as the field personnel management system had not been regularly updated.

181. The United Nations Peacebuilding Support Office in Guinea-Bissau had 30 authorized posts (see A/59/534/Add.1), but only 25 posts had been filled as at 30 June 2005, resulting in a vacancy rate of 17 per cent. At ESCWA, for the period from 1 January 2004 to 31 December 2005, the target of 120 days or less was not achieved, as the average number of days between the date of reissuance of the vacancy announcement and the date of approval of the selection was a combined weighted average of 146 days. At ECE, delays lasted up to 469 days, with an average of about 200 days.
L. Information and communication technology

Information and communication technology quality plan

182. The United Nations did not have a written or documented quality assurance approach or framework that could be used as a guide in order to address risks on quality problems and manage quality to improve overall business efficiency.

183. The United Nations indicated that, for the biennium 2006-2007, the ICT Quality Assurance and Risk Management Section of the Information Technology Services Division of the Secretariat planned to work on specific initiatives for quality assurance in compliance with ISO 9001; and that would complement the ISO 17799 compliance project, which was currently being finalized. The Section also planned to fully implement the Control Objectives for Information and related Technology (COBIT) framework for self-assessment and information and communication technology (ICT) governance, as well as other industry-specific standards that had been referenced for engagements with specific organizational entities such as the treasury at United Nations Headquarters.

Information and communication technology strategies

184. In its previous report, the Board recommended that ITC review the completeness of its ICT strategic documents in a cost-effective manner. ITC had completed a first draft of its ICT strategic plan and had developed a guide on projects including cost-benefit analysis. However, those documents had yet to be finalized as at April 2006. ITC indicated that steps to develop its own methodology were expected to be finalized by the end of 2006. Although ITC had shared its project portal with other United Nations organizations (UNCTAD), a common and systematic approach had yet to be adopted by the United Nations.

185. UNITAR did not take steps to implement to review the current ICT function; to consider if it was appropriately staffed; to improve its cooperation with other United Nations organizations; to further benefit from system-wide experience; and to adopt precise terms of reference for its ICT committee. The Executive Director of UNITAR was considering the matter with the senior management of UNITAR.

Enterprise resource planning and other application systems

186. At UNDP, the comprehensive internal control framework for the Atlas system had been developed and independently validated by a consultant but remained in draft form.

187. The Board noted significant findings, both at UNDP headquarters and at the country offices, as a direct result of the implementation of the Atlas system and key control areas yet to be addressed by the system. The identified areas prevailed throughout the biennium 2004-2005 and at the time of the audit remained unresolved or were under implementation. The identified areas were also reported by the Office for Audit and Internal Review of UNDP in the Atlas WAVE 1 post implementation review. The key findings were as follows:

(a) The creation and approval of purchase orders and vendors by the same individual;
(b) Problems identified in the general ledger module during the testing of bank reconciliations;
(c) Inherent weaknesses in the bank reconciliation process;
(d) Although there was an automated matching of the bank statements to the subsidiary ledgers, the reconciliation of the subsidiary ledger was a manual process;
(e) Systems incompatibility at the Brazil country office.

188. UNRWA had purchased and developed a number of application systems such as the Financial Management System, the Human Resources Management and Payroll System, and the reality and application Contributions System. The Board conducted an ICT audit and noted the following shortcomings:

(a) There was no concise, complete and approved change control process for emergency changes;
(b) There was no change control committee to manage the volume of changes being made to the information and communications systems;
(c) No disaster recovery plan existed;
(d) No ICT security policy existed;
(e) Improved controls were required to monitor logical access security control;
(f) The auditing feature, the logging of policy changes and the account management events on the domain controller had not been enabled;
(g) The remote access service controls to limit security risk exposure were not in place.

189. At United Nations Headquarters, there were shortcomings in the United Nations Budget Information System in the description of the modules, functions and steps to be undertaken; the definition of budgeting terms; procedures on the interface functions and error handling in the process of exporting and importing data, generated control or mismatch reports after data were read into the appropriate table; and descriptions of the procedures to be followed relative to the use of standard, context and ad hoc reports. The shortcomings might result in users being unable to effectively use the system’s functions, menus, sub-menus and fields in the medium and long term.

190. At the United Nations Office at Geneva, there were several independent software used to monitor cash: the Consolidated Treasury System (CTS), IMIS or Microsoft Excel. Therefore, there remained a risk due to multiple data captures, and system incompatibility and design. The United Nations Office at Geneva indicated that there was an ongoing project with the treasury at United Nations Headquarters in which CTS and OPICS would be interfaced and installed at both Headquarters and the United Nations Office at Geneva. The new setup would enable global treasury management and include the automated cash management feature. Phase I of the project — implementation of the IMIS/CTS/OPICS integrated treasury
system (ICOS) at the United Nations Office at Geneva (OPICS access through Citrix) and at Headquarters — was expected to be completed in June 2006.

191. At the International Court of Justice, the following were noted: absence of a formal information technology strategy or long-term plan in line with organization and objectives of the International Court of Justice; a lack of availability of the cost of its information technology facilities and services; and the inadequacy of project-management methodology and change management practices. In addition, a number of in-house applications had been developed by the International Court of Justice for performing daily administrative and financial functions, instead of relying on applications and facilities developed by the United Nations. Those in-house tools, which were mainly based on basic desktop applications such as MSExcel and MSWord, had not been properly tested and did not meet best practices and international standards.

192. At UN-Habitat, IMIS allowed the creation of allotments with zero balances in the following year if related allotments existed in the preceding year. Those allotments would be registered with negative balances in the project status report generated by IMIS if expenditures were charged against them. That procedure might result in project expenditures being incurred without allotments and would not provide an accurate picture of the actual financial status of the project.

Information technology fraud prevention and management: policies and compliance

Information technology: appropriate use, fraud and security-related policies

193. Some organizations had developed separately their policies and tools relating to information technology fraud prevention without referring to policy documents issued by the Secretariat. For example, UNICEF had developed its own range of policies and procedures relating to ICT matters while UNHCR had only adopted one of the United Nations policy documents.

Identified policy gaps

194. None of the organizations had made specific references to the best practices documented in ISO 17799 (the Code of Practice for Information Security Management).

195. Except for UNICEF, none of the organizations had policies concerning the classification of documents and/or data, including their related access rights. Therefore, organizations risked developing alternatives, which were likely to be less well developed and tested.

Dissemination of policies, briefings

196. While an increasing number of policy documents are available in electronic form through the Intranet, the basic method of distribution remains paper-based. None of the organizations had systems in place to track the dissemination of these documents and the identity of persons who have received them.

197. There was no evidence that there is coordination between United Nations bodies regarding the formulation and dissemination of best practices that could ensure that critically important documents reach all the parties that need to see
them. There was also no system to collect information on those staff members who have read the document and formally agree to comply.

198. There was also no policy with respect to interns, consultants and contractors who are granted access to computer networks, systems and facilities.

199. There was no consistent approach to briefings and awareness training on ICT policy matters for staff and non-staff. In the absence of briefings and awareness training, there was a risk that staff and non-staff might not appreciate the role that they must play to protect the organization from misuse and abuse, including fraud.

**Monitoring and compliance**

200. While in Secretary-General’s bulletin ST/SGB/2004/15, explicit mention is made of monitoring and of how subsequent investigations are to be conducted, only a few organizations acknowledge having fully implemented that policy. Other organizations have made their own arrangements for monitoring for compliance with their own policies. In the absence of clear guidelines and procedures for monitoring misuse and abuse, there was a risk that unacceptable behaviour would take place in the organization.

**Security features in computer applications development**

*Design of methodology guidelines on security features of computer applications*

201. There was little or no commonality in the methodologies used by United Nations organizations to implement security features in their computer applications. In the absence of a common and validated methodology, there was a risk that some applications would not incorporate features regarded by practitioners as “best practices”, for example, the use of database technology that allowed data to be partitioned in a way that supported a role-based approach to the definition of access rights.

*Segregation of duties for the validation of security features*

202. Beyond the protection granted by the four basic levels of access controls and the use of user name and password combinations, most organizations are not considering new systems to improve the security of access to their sensitive data. Moreover, in the absence of penetration tests or equivalent approaches, the organizations have no direct knowledge of the current level of security.

*Logical security: identity management and authentication*

203. There were situations where changes in the status of individuals were not formally reported to those responsible for managing access rights. That led to a situation where staff retained past rights that were not appropriate to their new responsibilities.
M. Cases of fraud and presumptive fraud

Cases reported

204. For the period ended 31 December 2005, 9 of the 15 audited United Nations organizations reported to the Board cases of fraud and presumptive fraud as reflected in table 8. The administrations informed the Board that they had taken action against the staff and perpetrators involved, in addition to strengthening controls to prevent recurrences. The Board noted that some country offices had not submitted information on fraud and presumptive fraud to their respective headquarters.

Table 8
Reported cases of fraud and presumptive fraud

<table>
<thead>
<tr>
<th>Organization</th>
<th>Total number of cases reported</th>
<th>Cases where estimated losses were determined</th>
<th>Estimated loss (United States dollars)</th>
<th>Amount recovered (United States dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Nations</td>
<td>7</td>
<td>2</td>
<td>1 889</td>
<td>1 889</td>
</tr>
<tr>
<td>UNDP</td>
<td>25</td>
<td>24</td>
<td>1 585 793</td>
<td>676 999</td>
</tr>
<tr>
<td>UNFPA</td>
<td>8</td>
<td>5</td>
<td>111 094</td>
<td>83 784</td>
</tr>
<tr>
<td>UN-Habitat</td>
<td>2</td>
<td>1</td>
<td>4 202</td>
<td>—</td>
</tr>
<tr>
<td>UNICEF</td>
<td>42</td>
<td>41</td>
<td>482 979</td>
<td>210 884</td>
</tr>
<tr>
<td>UNHCR</td>
<td>14</td>
<td>11</td>
<td>169 156</td>
<td>7 207</td>
</tr>
<tr>
<td>UNRWA</td>
<td>11</td>
<td>1</td>
<td>24 647</td>
<td>5 990</td>
</tr>
<tr>
<td>ICTR*</td>
<td>6</td>
<td>5</td>
<td>33 333</td>
<td>23 972</td>
</tr>
<tr>
<td>ITC</td>
<td>2</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>117</strong></td>
<td><strong>90</strong></td>
<td><strong>2 394 086</strong></td>
<td><strong>1 010 425</strong></td>
</tr>
</tbody>
</table>

* International Criminal Tribunal for Rwanda.

Fraud prevention, plan and policy

205. Although an ethics office has been established and financial disclosure statements have been introduced, fraud prevention was still under consideration by the United Nations and a common approach had yet to be defined. UNDP, UNFPA and UNOPS together had taken the following initiatives: compiled a fraud prevention strategy that included training staff on principles of fraud awareness in 2005; published a handbook on fraud prevention in 2005; and established a fraud hotline in March 2006. In February 2006, UNHCR launched the “Accountability Portal”, accessible to all staff on the UNHCR Intranet. It served as a repository of information related to the human and financial resources of UNHCR.

N. Write-off of losses of cash, receivables and property

206. As shown in table 9, in line with financial regulation 6.4 and financial rules 106.8 (a) and 106.9 (a), the United Nations and its funds and programmes reported
to the Board losses of cash, receivables and property that had been written off during the biennium 2004-2005, which ended 31 December 2005.

207. The combined value of cash, receivables and property written off, totalling $37.4 million, was higher by $5.55 million (17 per cent) than the total of $31.79 million written off during the biennium 2002-2003.

Table 9

**Assets written off, 2002-2003 and 2004-2005**

(Thousands of United States dollars)

<table>
<thead>
<tr>
<th>Organization</th>
<th>2002-2003</th>
<th>2004-2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Nations</td>
<td>2 950</td>
<td>1 548</td>
</tr>
<tr>
<td>ITC</td>
<td>23</td>
<td>3</td>
</tr>
<tr>
<td>UNU</td>
<td>651</td>
<td>875</td>
</tr>
<tr>
<td>UNDP</td>
<td>8 300</td>
<td>7 900</td>
</tr>
<tr>
<td>UNICEF</td>
<td>16 400</td>
<td>12 500</td>
</tr>
<tr>
<td>UNRWA</td>
<td>1</td>
<td>22</td>
</tr>
<tr>
<td>UNITAR</td>
<td>21</td>
<td>1</td>
</tr>
<tr>
<td>UNHCR</td>
<td>1 879</td>
<td>1 180</td>
</tr>
<tr>
<td>UNEP</td>
<td>5</td>
<td>629</td>
</tr>
<tr>
<td>UNFPA</td>
<td>700</td>
<td>0</td>
</tr>
<tr>
<td>UN-Habitat</td>
<td>0</td>
<td>123</td>
</tr>
<tr>
<td>UNDCP/UNODC</td>
<td>666</td>
<td>11 700</td>
</tr>
<tr>
<td>ICTR&lt;sup&gt;a&lt;/sup&gt;</td>
<td>20</td>
<td>86</td>
</tr>
<tr>
<td>ICTY&lt;sup&gt;b&lt;/sup&gt;</td>
<td>71</td>
<td>53</td>
</tr>
<tr>
<td>UNJSPF</td>
<td>104</td>
<td>123</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>31 791</strong></td>
<td><strong>37 345</strong></td>
</tr>
</tbody>
</table>

<sup>a</sup> International Criminal Tribunal for Rwanda.

<sup>b</sup> International Criminal Tribunal for the Former Yugoslavia.

(Signed) Guillermo N. Carague
Chairman, Philippine Commission on Audit
Chairman, United Nations Board of Auditors

(Signed) Shauket A. Fakie
Auditor-General of the Republic of South Africa

(Signed) Philippe Séguin
First President of the Court of Accounts of France

28 July 2006

*Note*: The members of the Board of Auditors have signed only the original English version of the report.
Annex I

Organizations reported on for the financial period ended 31 December 2005

United Nationsa
International Trade Centre UNCTAD/WTOb
United Nations Universityc
United Nations Development Programmed
United Nations Children’s Fundf
United Nations Relief and Works Agency for Palestine Refugees in the Near Eastg
United Nations Institute for Training and Researchh
Voluntary funds administered by the United Nations High Commissioner for Refugeesi
Fund of the United Nations Environment Programmej
United Nations Population Fundk
United Nations Human Settlements Programmek
United Nations Office on Drugs and Crimes
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 and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994m
International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991n

The Board also examined the accounts of the United Nations Joint Staff Pension Fund, and the audit report thereon will be included in the report of the United Nations Joint Staff Pension Board.o

Notes

a Official Records of the General Assembly, Fifty-ninth Session, Supplement No. 5 (A/61/5 (vol. I)). In addition, the Board reported on the capital master plan (A/59/161).
b Ibid., Supplement No. 5 (A/61/5 (Vol. III)).
c Ibid., Supplement No. 5 (A/61/5 (Vol. IV)).
d Ibid., Supplement No. 5A (A/61/5/Add.1).
e Ibid., Supplement No. 5B (A/61/5/Add.2).
f Ibid., Supplement No. 5C (A/61/5/Add.3).
g Ibid., Supplement No. 5D (A/61/5/Add.4).
h Ibid., Supplement No. 5E (A/61/5/Add.5).
i Ibid., *Supplement No. 5F* (A/61/5/Add.6).

j Ibid., *Supplement No. 5G* (A/61/5/Add.7).

k Ibid., *Supplement No. 5H* (A/61/5/Add.8).

l Ibid., *Supplement No. 5I* (A/61/5/Add.9). The Board audits and reports on the Fund of the United Nations International Drug Control Programme, which is managed by the United Nations Office on Drugs and Crime.

m Ibid., *Supplement No. 5K* (A/61/5/Add.11).

n Ibid., *Supplement No. 5L* (A/61/5/Add.12).

o Ibid., *Supplement No. 9* (A/61/9).
Annex II

Status of implementation of recommendations made up to 31 December 2003, by organization

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>United Nations</td>
<td>79</td>
<td>21</td>
<td>20</td>
<td>36</td>
</tr>
<tr>
<td>International Trade Centre UNCTAD/WTO</td>
<td>10</td>
<td>4</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>United Nations University</td>
<td>25</td>
<td>10</td>
<td>1</td>
<td>12</td>
</tr>
<tr>
<td>United Nations Development Programme</td>
<td>78</td>
<td>48</td>
<td>10</td>
<td>18</td>
</tr>
<tr>
<td>United Nations Children’s Fund</td>
<td>54</td>
<td>37</td>
<td>2</td>
<td>14</td>
</tr>
<tr>
<td>United Nations Relief and Works Agency for Palestine Refugees in the Near East</td>
<td>45</td>
<td>35</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>United Nations Institute for Training and Research</td>
<td>15</td>
<td>6</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Office of the United Nations High Commissioner for Refugees*</td>
<td>64</td>
<td>19</td>
<td>9</td>
<td>30</td>
</tr>
<tr>
<td>United Nations Environment Programme</td>
<td>13</td>
<td>9</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>United Nations Population Fund</td>
<td>56</td>
<td>31</td>
<td>0</td>
<td>25</td>
</tr>
<tr>
<td>United Nations Human Settlement Programme</td>
<td>14</td>
<td>10</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>United Nations International Drug Control Programme</td>
<td>16</td>
<td>5</td>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td>International Criminal Tribunal for Rwanda</td>
<td>40</td>
<td>29</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>International Criminal Tribunal for the Former Yugoslavia</td>
<td>13</td>
<td>6</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>United Nations Joint Staff Pension Fund</td>
<td>23</td>
<td>12</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Subtotal</td>
<td>—</td>
<td>—</td>
<td>59</td>
<td>170</td>
</tr>
<tr>
<td>Total</td>
<td>545</td>
<td>282</td>
<td>229</td>
<td>—</td>
</tr>
<tr>
<td>Percentage of total</td>
<td>100</td>
<td>52</td>
<td>42</td>
<td>—</td>
</tr>
</tbody>
</table>

* The Office of the United Nations High Commissioner for Refugees (UNHCR) has an annual financial cycle and therefore the figures reported are for recommendations made up to 31 December 2004.