



**Executive Board of the
United Nations Development
Programme, the United Nations
Population Fund and the United
Nations Office for Project Services**

Distr.: General
13 November 2023

Original: English

First regular session 2024

29 January to 2 February 2024, New York

Item 2 of the provisional agenda

Recommendations of the Board of Auditors

**United Nations Capital Development Fund: Report on the
implementation of the recommendations of the United Nations
Board of Auditors, 2022**

Summary

In July 2023, the United Nations Board of Auditors formally issued its audit report for the United Nations Capital Development Fund (UNCDF) ([A/78/5/Add.2](#)) and awarded UNCDF an unqualified (clean) audit opinion for the year ended 31 December 2022. This is the eleventh full year of reporting under the International Public Sector Accounting Standards (IPSAS) and the opinion reiterates the continuing commitment of UNCDF to comply with IPSAS.

The Managing Director¹ wishes to emphasize that transparency and accountability for results and impact continue to be top priorities for UNCDF. The governance mechanisms and the accountability framework ensure that funds are administered with appropriate fiduciary accountability, reinforced by a commitment to ongoing improvement and innovation. UNCDF continuously learns from and implements the recommendations of its independent oversight bodies to help drive efficiency and effectiveness.

This document reports on the implementation status of the recommendations of the United Nations Board of Auditors for the year ended December 2022 and earlier. Pursuant to Executive Board decision 2010/9, details of the implementation status of the individual audit recommendations and the full audit report of the Board of Auditors are available on the UNDP Executive Board website.

Elements of a decision

The Executive Board may wish to: (a) note the unqualified audit opinion issued by the United Nations Board of Auditors for 2022; and (b) support the ongoing efforts of UNCDF management in implementing the recommendations of the Board for the year ended 31 December 2022.

¹ As stated in General Assembly resolution 2321 (XXII), the UNDP Administrator performs the functions of the Managing Director of UNCDF.



I. Introduction

1. The United Nations Capital Development Fund (UNCDF) has received an unqualified (clean) audit opinion from the United Nations Board of Auditors (the Board) on its financial statements for the year ended 31 December 2022. This marks eleven consecutive years of unqualified audit opinions since UNCDF first presented its own separate financial statements in 2012. This achievement confirms the Fund's commitment to continuous improvement in financial management, transparency and accountability. UNCDF will continue to strive for greater management efficiency and is responding to an internal audit designed to improve management of the Fund. The Managing Director emphasizes that transparency and accountability for results and impact continue to be top priorities for UNCDF.

2. UNCDF has put in place close oversight mechanisms to ensure full implementation of all audit recommendations, including adequate mitigating strategies and controls. The following sections provide an update on progress made by UNCDF in implementing audit recommendations.

II. Status of audit recommendations of the Board of Auditors for the year ended 31 December 2022

3. For the year ended 31 December 2022, the Board, in its audit report of UNCDF ([A/78/5/Add.2](#)), issued eight audit recommendations (2021: seven recommendations). All eight recommendations were classified as 'high priority'. Management agreed with all recommendations issued. The recommendations have target completion dates in the first and second quarters of 2024.

4. Of the eight recommendations issued, five relate to enterprise risk management (update guidance and clarify roles), and three relate to accounting (harmonization with other agencies). Implementation of the recommendations will require focused effort by UNCDF management to further improve guidance and business processes related to the application of the enterprise risk management and accounting policies.

5. Consistent with practices adopted in previous years, and as agreed with the Board, UNCDF has adopted a phased approach for implementing the audit recommendations, with clear accountabilities for the implementation of each recommendation and target completion dates. The phased approach is based on the complexity and time required to resolve and discuss each issue with the Board. It is important to note that implementation of the 2022 recommendations started after the final report of the Board was issued in July 2023.

6. As of end October 2023, three months after the formal release of the report and despite the 2024 due dates, UNCDF management was pleased to report that actions had already commenced on all eight audit recommendations to ensure their full implementation by the target completion dates. Pursuant to Executive Board decision 2010/9, a tabular listing of the status of implementation of the audit recommendations is available on the Executive Board web page.

Table 1

United Nations Capital Development Fund: Implementation status of audit recommendations by target completion dates

| <i>Target completion date</i> | <i>Number</i> | <i>Closure requested</i> | <i>In progress</i> | <i>To be started</i> | <i>Total</i> |
|-------------------------------|---------------|--------------------------|--------------------|----------------------|--------------|
| 2024, 1st quarter | 2 | 0 | 2 | 0 | 2 |
| 2024, 2nd quarter | 6 | 0 | 6 | 0 | 6 |
| Grand total | 8 | 0 | 8 | 0 | 8 |
| Percentage | 100% | 0% | 100% | 0 | 100% |

Table 2**United Nations Capital Development Fund: Implementation status of audit recommendations by priority**

| <i>Priority</i> | <i>Closure requested</i> | <i>In progress</i> | <i>To be started</i> | <i>Total</i> |
|----------------------------|--------------------------|--------------------|----------------------|--------------|
| High | 0 | 8 | 0 | 8 |
| Total | 0 | 8 | 0 | 8 |
| Percentage of total | 0% | 100% | 0 | 100% |

III. Status of audit recommendations of the United Nations Board of Auditors for the year ended 31 December 2021 and prior years

7. As of October 2023, of the 25 audit recommendations issued to UNCDF for the 2021, 2020 and 2019 financial years, all were assessed as fully implemented by the United Nations Board of Auditors. UNCDF has no outstanding audit recommendations for periods ended prior to 31 December 2022.

IV. Conclusion

8. UNCDF is pleased to receive an unqualified audit opinion from the United Nations Board of Auditors. This is a testament to the hard work of all staff throughout UNCDF offices. Management will continue to closely monitor the implementation of all audit recommendations in order to ensure that UNCDF continues to enhance productivity, accountability, transparency and performance for results and impact, while making every effort to close the recommendations of the Board in a timely manner.