



United Nations

FCCC/SBI/2020/INF.9/Add.1



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Climate Change

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## Subsidiary Body for Implementation

# Financial report and audited financial statements for 2019 and report of the United Nations Board of Auditors

Note by the secretariat

Addendum

Comments by the secretariat

### *Summary*

The report of the United Nations Board of Auditors for 2019 (FCCC/SBI/2020/INF.9) includes recommendations relating to the financial audit of the UNFCCC. This addendum, which should be read in conjunction with that report, has been prepared to provide the secretariat's comments on those recommendations and to specify the initial actions taken to implement them. In the "Status of implementation" column of the three tables that comprise this document, "Under implementation" indicates that the secretariat has started undertaking the recommended action.

## Abbreviations and acronyms

Board	United Nations Board of Auditors
COP	Conference of the Parties
MT	Management Team
SBI	Subsidiary Body for Implementation



Table 1

**Recommendations of the United Nations Board of Auditors for the year that ended on 31 December 2019**

<i>Recommendation<sup>a</sup></i>	<i>Comments by the secretariat</i>	<i>Status of implementation</i>
Recommendation 1, paragraph 54		
The Board recommends that UNFCCC analyse the net assets of the special account for programme support costs and act on the results of this analysis.	A draft financial plan has been shared with the audit team and discussions are ongoing with a view to finalizing the analysis and action plan for the special account.	Under implementation
Recommendation 2, paragraph 55		
The Board recommends that UNFCCC establish annual plans and a reconciliation with the actual figures for the special account for programme support costs to monitor the level of the reserve.	Annual planning and reporting procedures for the special account have been developed and shared with the Board for further consideration.	Under implementation
Recommendation 3, paragraph 61		
The Board recommends that UNFCCC document the case-by-case analysis of the asset and revenue recognition criteria in the grant management module in Umoja.		Implemented
Recommendation 4, paragraph 66		
The Board recommends that UNFCCC change its guideline AG/2012/3 on the policy for advancing funds to projects to reflect the methodology for recording of internal borrowings between trust funds as mentioned in paragraph 1.8 of guideline AG/2017/2.		Implemented
Recommendation 5, paragraph 75		
The Board recommends that UNFCCC complete the allocation of the total cost incurred for the COP 25 to the respective donors and refund the internal borrowings made from other trust funds to cover for these costs.		Implemented
Recommendation 6, paragraph 76		
The Board recommends that UNFCCC implement an internal control function to prevent a situation that a trust fund has a negative cash balance.		Implemented
Recommendation 7, paragraph 104		
The Board recommends that UNFCCC liaise with the United Nations Secretariat to review the institutional linkage and update it as appropriate, including a transparent and consistent issuance and acceptance of a delegation of authority to the Executive Secretary regarding human resources and finance and budget.	The exchange on this matter with the Office of Legal Affairs of the United Nations Secretariat is ongoing, and a comprehensive review of the delegation of authority and subsequent policy review are expected to be finalized in 2021.	Under implementation

<i>Recommendation<sup>a</sup></i>	<i>Comments by the secretariat</i>	<i>Status of implementation</i>
Recommendation 8, paragraph 114		
The Board recommends that UNFCCC issue the lacking human resources subdelegations to its staff members.	All delegations of authority have been prepared and signed by the respective staff members. The Board is to confirm implementation of the recommendation.	Under implementation
Recommendation 9, paragraph 120		
The Board recommends that UNFCCC raise the issue of the inconsistencies in using the delegation of authority portal with the United Nations Secretariat.	See comments on recommendation 7 above.	Under implementation
Recommendation 10, paragraph 126		
The Board recommends that UNFCCC align the provisioned Umoja roles with the authorities delegated.	Accordingly updated delegations of authority have been shared with the Board. The Board is to confirm implementation of the recommendation.	Under implementation
Recommendation 11, paragraph 133		
The Board recommends that UNFCCC liaise with the United Nations Secretariat for an exception of the segregation of duties violation and raise the issue of the potential risk of combining the Umoja role FM.06 with other finance roles.		Implemented
Recommendation 12, paragraph 145		
The Board recommends that UNFCCC ensure that the intended results of the restructuring such as efficiency gains and “being fit for purpose” are measured, tracked and evaluated.	The secretariat has provided a summary report on this matter to the Board for its consideration, which includes recommendations on how the results of the structural review can be measured, tracked and evaluated.	Under implementation
Recommendation 13, paragraph 162		
The Board recommends that UNFCCC draw a realistic timetable and a priority list for filling vacancies.	A list of ongoing recruitment cases was shared with the Board. As at March 2021, of the 60 positions advertised so far, 8 have been filled, 41 are at different stages of the selection process, and 11 are open and applications are being received.	Under implementation
Recommendation 14, paragraph 175		
The Board recommends that UNFCCC explain deviations between its structure as per the budget decision and the implemented structure of posts, and ensure adequate reporting on budget performance.	Clarifications have been provided to the Board and the secretariat is awaiting feedback in order to be able to complete implementation of this recommendation.	Under implementation
Recommendation 15, paragraph 188		
The Board recommends that UNFCCC address the risks it is exposed to through an up-to-date enterprise risk management that includes owners and due dates and a documentation.	At its meeting on 29 January 2021, the MT adopted the assessment and recommendations for the UNFCCC Risk Treatment and Response Plan 2017 and agreed that medium and low risks from the Plan will be included in the Enterprise Risk Assessment 2021. The MT also agreed that this task	Under implementation

<i>Recommendation<sup>a</sup></i>	<i>Comments by the secretariat</i>	<i>Status of implementation</i>
Recommendation 16, paragraph 199 The Board recommends that UNFCCC, in coordination with the Office of Internal Oversight Services, take steps to re-establish internal audit coverage and to prepare an internal audit plan for the biennium 2020–2021.	will be a priority for Organizational Development and Oversight once the unit is fully operational.	Implemented

<sup>a</sup> Reproduced as received from the Board.

Table 2

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

<i>Recommendation<sup>a</sup></i>	<i>Comments by the secretariat</i>	<i>Status of implementation</i>
Recommendation 1, paragraph 37 The Board recommends that UNFCCC analyse the net assets of the cost recovery fund and act on the results of this analysis.	Service rates have been defined for 2021 and a general reserve level is being established. Further action is to be agreed with the Board as necessary.	Under implementation
Recommendation 2, paragraph 47 The Board recommends that UNFCCC incorporate the liabilities incurred by staff financed from indicative contributions in its funding policy review for employee benefits and seek a COP decision.	A funding mechanism will be presented for consideration by the SBI at its next session.	Under implementation
Recommendation 3, paragraph 55 The Board recommends that, in consultation with United Nations Treasury, UNFCCC assess the possibilities of investment approaches within the cash-pool for the reserves set aside to cover for the after-service health insurance liabilities.	The secretariat is engaged in discussions with the Financial Risk Management Service of the United Nations Secretariat with a view to developing an investment strategy for the future.	Under implementation
Recommendation 4, paragraph 65 The Board recommends that UNFCCC consult with the actuary and United Nations Headquarters on the data basis for the actuarial valuation of employee benefits liabilities to enhance the accuracy of the actuarial valuation.	The actuarial data will be updated in order to enhance the accuracy of future actuarial exercises.	Under implementation
Recommendation 5, paragraph 70 The Board recommends that UNFCCC assess, in consultation with United Nations Headquarters, whether it is beneficial to conclude agreements with the organizations of incoming and leaving UNFCCC	The secretariat continues to use the United Nations Inter-Organization Agreement concerning Transfer, Secondment or Loan of Staff among the	Under implementation

<i>Recommendation<sup>a</sup></i>	<i>Comments by the secretariat</i>	<i>Status of implementation</i>
staff to gain legal assurance on the employee benefit liabilities incurred for those staff members.	Organizations applying the United Nations Common System of Salaries and Allowances.	
Recommendation 6, paragraph 77		
The Board recommends that UNFCCC review its accounting process for appendix D benefits and for death benefits.	The accounting process has been revised to accommodate the requirements of the audit. An analysis of the management of the reserve for appendix D is ongoing.	Under implementation
Recommendation 7, paragraph 101		
The Board recommends that UNFCCC improve data quality of the grants created in Umoja.		Implemented
Recommendation 8, paragraph 109		
The Board recommends that UNFCCC use Umoja to its full extent to manage the donor agreements within Umoja, to store documents related to donor agreements and to produce automated donor reports.		Implemented
Recommendation 9, paragraph 135		
The Board recommends that UNFCCC adopt the United Nations staff selection policies system in the then applicable version or request approval of deviations by end of December 2019.	This recommendation will be addressed as part of the overall policy review (see comments on recommendation 7 in table 1).	Under implementation
Recommendation 10, paragraph 146		
The Board recommends that UNFCCC evaluate whether it is beneficial to use the United Nations recruitment tool and to participate in shared human resources services where possible.	Implementation of the Inspira system is ongoing. The Information and Communication Technology subdivision started back-end implementation in the first quarter of 2021.	Under implementation
Recommendation 11, paragraph 161		
The Board recommends that UNFCCC transparently report on actuals vs. budget figures for all of its funding sources, taking into account differences of timing and reporting basis.	The budget performance report for 2020, to be finalized in March 2021, will include the additional elements required as per the audit recommendation.	Under implementation
Recommendation 12, paragraph 168		
The Board recommends that UNFCCC include an analysis of the reasons for the differences between budgeted and actual occupancy rate and its impact in its budget performance report.	The budget performance report for 2020, to be finalized in March 2021, will include the additional elements required as per the audit recommendation.	Under implementation

<sup>a</sup> Reproduced as received from the Board.

Table 3

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

<i>Recommendation<sup>a</sup></i>	<i>Comments by the secretariat</i>	<i>Status of implementation</i>
Recommendation 1, paragraph 60		
The Board recommends that UNFCCC review its funding policy for after-service health insurance and repatriation liabilities, in particular the duration of the accumulation phase, and seek a COP decision on the funding plan.	A funding mechanism will be presented for consideration by the SBI at its next session.	Under implementation
Recommendation 5, paragraph 117		
The Board recommends that UNFCCC expedite the revision process of its procurement policy and procedures in order to provide an up-to-date basis for its procurement activities.	The draft policy, with annexes, has been finalized for promulgation but points relating to institutional linkage and delegation of authority are still to be finalized (see comments on recommendation 7 in table 1).	Under implementation
Recommendation 6, paragraph 138		
The Board recommends that UNFCCC perform a fraud risk assessment in line with or embedded in the enterprise risk management.	The secretariat developed a comprehensive Risk Response and Treatment Plan, which was shared and discussed with the MT. Any remaining steps necessary for completing implementation of this recommendation are to be agreed with the Board.	Under implementation
Recommendation 7, paragraph 139		
The Board recommends that UNFCCC dedicate an organizational function which coordinates, implements and monitors the implementation of the fraud and anti-corruption framework (focal point).	The recruitment for the position responsible for this organizational function is in its final stage and expected to be completed by the end of March 2021.	Under implementation

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