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Item 21(b) of the provisional agenda

Administrative, financial and institutional matters

Audit report and financial statements for 2016

Financial report and audited financial statements for the year 2016 and report of the United Nations Board of Auditors

Note by the Executive Secretary

Addendum

Comments by the secretariat

Summary

The report of the United Nations Board of Auditors for the year 2016 (FCCC/SBI/2017/INF.15) includes recommendations relating to the financial audit of the UNFCCC. This addendum, which should be read in conjunction with that report, has been prepared to provide the secretariat's comments on those recommendations and to specify the initial actions taken to implement them. In the "Status of implementation" column of the two tables that comprise this document, "Implemented" indicates that no further action is required, while "Under implementation" indicates that the secretariat has started undertaking the recommended action.

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Table 1

Recommendations of the United Nations Board of Auditors for the year ended 31 December 2016

<i>Recommendations^a</i>	<i>Comments by the secretariat</i>	<i>Status of implementation</i>
Recommendation 1, paragraph 15:		
The Board recommends that UNFCCC (i) ensure that expenses are duly attributed to the financial year to which they relate (ii) conduct training to staff outside finance involved in the accrual procedures and introduce better monitoring procedures of accruals for year-end activities.	The secretariat agrees with the recommendation and will ensure the appropriate accrual of expenditure in the correct financial year. For this, the secretariat will intensify training of staff inside and outside finance for year-end preparations	Under implementation
Recommendation 2, paragraph 19:		
The Board recommends that UNFCCC review the internal IPSAS policy guidance on recognition of multi-year contribution agreements in order to have them in line with IPSAS.	The secretariat agrees with the recommendation and has adjusted the accounting policy on recognition of multi-year contributions agreements to align with the United Nations IPSAS policy	Implemented
Recommendation 3, paragraph 27:		
The Board recommends that UNFCCC establish a process that enables the presentation of the Boards' report by the Lead Auditor from the Board of Auditors to those charged with governance, in this case the Subsidiary Body for Implementation (SBI).	A presentation by the Board is included in the SBI agenda. The agreed presentation will be made in the week of 7 November 2017, during the SBI 47	Under implementation
Recommendation 4, paragraph 33:		
The Board recommends UNFCCC to ensure the compliance with the provisions applicable [in the determination of salary steps] also in such specific cases.	The secretariat does not agree with this recommendation and repeats its conviction that it had legally binding obligations through the signed offer when the salary scales changed. There was a financial risk of losing the lead candidate in the selection process should the candidate have declined	Not implemented
Recommendation 5, paragraph 41:		
For the specific cases, the Board recommends that UNFCCC complete the personnel files in accordance with the Board's observations and ensure that all contractual changes are formally documented, signed and included in the personnel file.	The secretariat agrees to this recommendation with the exception of requiring signatures for all contractual changes. The UNFCCC will continue to accept staff members' and other necessary signatories' agreements via email or through the established systems and document such agreements in the official status file of the staff member	Under implementation

<i>Recommendations^a</i>	<i>Comments by the secretariat</i>	<i>Status of implementation</i>
Recommendation 6, paragraph 51:		
The Board recommends that UNFCCC revisit its provisions governing termination notice periods and ensure compliance with the standard provisions.	The secretariat agrees with the recommendation and has amended the letters of appointment to comply with staff regulations and rules	Implemented
Recommendation 7, paragraph 66:		
The Board recommends that UNFCCC re-evaluate each of the cases described above. If needed, UNFCCC should consult the Office of Human Resources Management regarding the payments made to terminated staff.	The secretariat agrees to this recommendation and points out that repatriation, and possibly termination indemnity, would have been payable at a later separation should the staff member's contract have been extended. Further to that, more weight should be given to the need for the selection process to be sterile from external influences	Under implementation
Recommendation 8, paragraph 68:		
The Board recommends that UNFCCC evaluate the restructuring process and draft lessons learned from the restructurings of the SDM and ICT programmes before continuing with further restructurings.	The guidelines have been revised to take on board lessons learned from the restructuring of the SDM and ICT programmes, feedback received from the Board, an independent consultant review of best practices within the United Nations and in consultation with the staff association. The revised draft will be presented to the management team for review and a recommendation will be made to the Executive Secretary for endorsement	Under implementation
Recommendation 9, paragraph 81:		
The Board recommends that UNFCCC clarify the facts raised and where appropriate request reimbursement of the repatriation grant and inform OIOS about the cases.	The secretariat agrees in general to the recommendation	Under implementation
Recommendation 10, paragraph 89:		
The Board recommends that UNFCCC give high priority to developing a business continuity / disaster recovery plan. The plans should cover the areas mentioned in paragraphs 84 to 86 and be tested regularly.	The secretariat agrees with the recommendation. The ICT programme is developing a new business continuity plan and risk management framework to complete and integrate the various disaster recovery plans. This is expected to be available in 2017, including a testing plan for the critical processes	Under implementation
Recommendation 11, paragraph 96:		
The Board recommends that UNFCCC formally designate a focal point on disability and accessibility issues and inform staff members accordingly.	The secretariat agrees with the recommendation and the suggestions made. The arrangements in place within the UNFCCC regarding disability and accessibility have thus far worked as required. The	Under implementation

<i>Recommendations^a</i>	<i>Comments by the secretariat</i>	<i>Status of implementation</i>
	premises of the United Nations campus in Bonn are managed by the United Nations Volunteers programme and not the UNFCCC. The UNFCCC has no mandate to operate or provide such centralized activities, as this is the responsibility of United Nations common services. Such a centralized function would need to be incorporated by the United Nations Volunteers programme in the United Nations common services, which is responsible for implementing mandates that concern all United Nations agencies in Bonn. The UNFCCC will raise this matter with United Nations common services in the next meeting. The UNFCCC is open to appointing a focal point	

Abbreviations: Board = United Nations Board of Auditors, ICT = Information and Communication Technology, IPSAS = International Public Sector Accounting Standards, OIOS = Office of Internal Oversight Services, SBI = Subsidiary Body for Implementation, SDM = Sustainable Development Mechanisms.

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

Table 2

Recommendations of the United Nations Board of Auditors for the year ended 31 December 2015

<i>Recommendations^a</i>	<i>Comments by the secretariat</i>	<i>Status of implementation</i>
Recommendation 1, paragraph 13:		
Work on provisioning of the unfunded liabilities in order to mitigate the risk of failure to pay these liabilities.	The UNFCCC participates in the United Nations secretariat-wide initiative to start funding the liabilities for after-service health insurance and repatriation-related entitlements by accruing for these expenses starting in January 2017. This includes all funds except the Trust Fund for the Core Budget of the UNFCCC and the Trust Fund for the International Transaction Log. For these funds, the payments will be made on a pay-as-you-go basis in accordance with the United Nations General Assembly resolution 68/244. The UNFCCC receives indicative contributions that are the equivalent of assessed contributions received by the United Nations	Under implementation
Recommendation 4, paragraph 32:		
Devise a suitable mechanism to ensure timely recoveries of the fees and other claims from DOEs.	The secretariat is modifying the electronic accreditation workflow to accommodate the tracking of fee payments. The first release of modification was received recently and is currently under user testing. The tracking of DOE fee payments is also being done separately, through a dedicated Microsoft Excel spreadsheet	Under implementation
Recommendation 5, paragraph 40:		

<i>Recommendations^a</i>	<i>Comments by the secretariat</i>	<i>Status of implementation</i>
Make suitable disclosure in the notes to the financial statements on the unissued CERs which were lying in the stock of the UNFCCC and the total potential revenue unrealised for the CER certificates.	The UNFCCC disagrees with this recommendation, as such disclosure is not required but discouraged by IPSAS. IPSAS 19, paragraphs 105 and 106, requires a note of disclosure if the revenue is probable. The UNFCCC considers it very unlikely that these fees will be collected	Not implemented
Paragraph 13, United Nations Board of Auditors report for 2012–2013:		
Expedite the settlement of the outstanding balance of the accounts in respect of the Conference of the Parties at its sixteenth and seventeenth sessions.	The secretariat continues to follow up with the Government of Mexico regarding settlement of the outstanding balance of the accounts with regard to COP 16. Options have been provided to Mexico to use the remaining funding at Mexico's request, but as at October 2017, no decision has been taken. The balance for COP 17 has been settled	Under implementation

Abbreviations: Board = United Nations Board of Auditors, CER = certified emission reduction, COP = Conference of the Parties, DOE = designated operating agency, IPSAS = International Public Sector Accounting Standards.

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

^b Available at <https://www.ifac.org/system/files/publications/files/ipsas-19-provisions-c.pdf>.