



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

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Recommendations of the Board of Auditors

**UNCDF: Report on the implementation of the recommendations of
the United Nations Board of Auditors, 2024**

Summary

In July 2025, the United Nations Board of Auditors formally issued its audit report for the United Nations Capital Development Fund (UNCDF) (A/80/5/Add.2) and awarded UNCDF an unqualified (clean) audit opinion for the year ended 31 December 2024. This is the thirteenth 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 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.

The document reports on the implementation status of recommendations of the United Nations Board of Auditors for the year ended 31 December 2024 and earlier financial periods. Pursuant to Executive Board decision 2010/9, details of the implementation status of 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 2024, (b) note progress made by UNCDF in closing open audit recommendations, and (c) support the ongoing efforts of UNCDF management in implementing the recommendations of the United Nations Board of Auditors for the year ended 31 December 2024.

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

I. Overview

1. The United Nations Capital Development Fund (UNCDF) has received an unqualified (clean) audit opinion from the United Nations Board of Auditors on its financial statements for the year ended 31 December 2024. This marks thirteen consecutive years of unqualified audit opinions since UNCDF first presented its own separate financial statements in 2012. This achievement confirms Fund commitment to continuous improvement in financial management, transparency and accountability. UNCDF will continue to strive for greater management efficiency. The Managing Director of UNCDF underscores that transparency and accountability for results and impact continue to be top UNCDF priorities.
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.
3. The Board of Auditors issued nine audit recommendations for the period under review, same as 2023. Of these, seven recommendations were considered to be high priority and are further elaborated in the present document. UNCDF Management accepted all recommendations and initiated their implementation. These actions require dedicated efforts by UNCDF management to further enhance financial management practices and strengthen its institutional effectiveness in inter-agency cooperation.
4. Out of nine recommendations issued during the 2023 audit period, five have been fully implemented, one was superseded by a new recommendation issued in 2024,² and three remain under implementation. UNCDF aims to close the remaining outstanding recommendations by the end of 2025.

II. Introduction

5. Pursuant to decision 2022/1 of the Executive Board, paragraph 2, which recalls its decision 2021/1 and calls upon UNDP, UNCDF, UNFPA, and UNOPS to harmonize further their reporting formats on the implementation of the Board of Auditors recommendations, as appropriate, including where possible, the time frames for their detailed reporting and the thematic categorization of recommendations into those that are priority, and any other priorities, and requests to work with the United Nations Children's Fund (UNICEF), the United Nations Organization for Gender Equality and the Empowerment of Women (UN Women) and the World Food Programme (WFP) in that regard, as appropriate.
6. In consultation with UNDP, UNFPA, UNOPS and UNICEF, the present report aligns with the harmonized format to provide the Executive Board with comparable reporting on key findings and recommendations from the report of the Board of Auditors for the year ended 31 December 2024.
7. UNCDF management places the highest priority on addressing audit findings and implementing recommendations of the Board of Auditors. Progress in this regard is closely monitored and regularly reported.
8. Consistent with practices adopted in previous years, and as agreed with the Board of Auditors, UNCDF applied a phased approach to implementation, with clear accountabilities and target completion dates for the implementation of each recommendation.
9. The phased approach is based on the complexity and time required to discuss and resolve each issue with the Board of Auditors. It is important to note that implementation of 2024 recommendations commenced following issuance of the final report of the Board of Auditors, which was received in July 2025.

² According to Annex "Status of implementation of recommendations up to the financial year ended 31 December 2023" of A/80/5/Add.2, "The Board acknowledged UNCDF's enhanced controls over payroll reporting through periodic reconciliations. However, the 2024 audit identified gaps in supporting documentation for certain Quantum inter-agency transactions. This recommendation has been superseded by a new one issued in 2024 addressing these material issues."

III. Status of recommendations for the year ended December 2024

10. The Board of Auditors made nine new recommendations for 2024. Tables 1 and 2 summarize the implementation status of both ‘main’ and ‘all’ recommendations for the financial period that ended on 31 December 2024.

Table 1. Status of main recommendations for 2024 by thematic area

<i>Board of Auditors report thematic area</i>	<i>Total</i>	<i>Under implementation</i>
Financial management (#35, 44)	2	2
Cooperation with other entities of the United Nations system (#64, 65, 83, 92, 102)	5	5
Total	7	7
Percentage	100%	100%

Table 2. Status of all recommendations for 2024 by thematic area

<i>Board of Auditors report thematic area</i>	<i>Total</i>	<i>Under implementation</i>
Financial management (#35, 44)	2	2
Cooperation with other entities of the United Nations system (#64, 65, 83, 92, 93, 102, 111)	7	7
Total	9	9
Percentage	100%	100%

11. The following paragraphs report on the status and management action plans for every recommendation issued by the Board of Auditors for 2024.

A. Financial management

12. **In paragraph 35, the Board recommended that UNCDF establish a formal procedure regarding inter-agency reconciliation in Quantum to resolve differences identified during inter-agency and payroll reconciliations in a timely manner.**

<i>Department(s) responsible:</i>	Investment Finance Oversight Division (IFOD)
<i>Status:</i>	Under implementation
<i>Priority:</i>	High
<i>Target date:</i>	First quarter of 2026

13. UNCDF is in the process of establishing the required procedure for inter-agency reconciliation.

14. **In paragraph 44, the Board recommended UNCDF review the multi-employer nature of its retirees’ health insurance plans and complement the employee benefit liabilities note to financial statements with IPSAS 39 mandatory disclosures.**

<i>Department(s) responsible:</i>	IFOD
<i>Status:</i>	Under implementation
<i>Priority:</i>	High

Target date: Second quarter of 2026

15. UNCDF will review the multi-employer nature of its retiree's health insurance plan and prospectively include the disclosure.

B. Cooperation with other entities of the United Nations system

16. In paragraph 64, the Board recommended that UNCDF designate a focal point for countries with a large presence and/or volume of projects.

Department(s) responsible: Directorate and Investment and Implementation Division (IID)

Status: Under implementation

Priority: High

Target date: First quarter of 2026

17. UNCDF has begun to appoint focal points in countries with a significant presence and will ensure this is completed in all major-presence countries by the established deadline.

18. In paragraph 65, the Board recommended UNCDF enhance visibility at the local level, programmatic activities, and its desired involvement in inter-agency cooperation at the country level—supporting the United Nations country team (UNCT) and/or United Nations Sustainable Development Cooperation Framework.

Department(s) responsible: IID

Status: Under implementation

Priority: High

Target date: Third quarter of 2026

19. UNCDF is increasing its visibility at the local level. The Administrative Arrangement Agreement (AAA) signed with UNDP in January 2024, and the communication the UNDP Executive Office shared with the UNDP Resident Representative on 28 January 2025 outlines that UNDP resident representatives act as the official representatives of UNCDF at the country level. This arrangement provides a framework to strengthen UNCDF visibility, guide programmatic activities, and define UNCDF engagement in inter-agency cooperation within UNCTs. In this structure, the Regional Investment Team Leads maintain regular communication with the resident representatives, sharing UNCDF priorities and strategic directions. Resident representatives, as UNCDF representatives at the local level, convey these priorities with the UNCT to ensure alignment with UNDP programming and effective representation of UNCDF interests in country-level discussions and coordination mechanisms.

20. In paragraph 83, the Board recommended that UNCDF develop work plans in line with its partnerships and communication strategies.

Department(s) responsible: Directorate

Status: Under implementation

Priority: High

Target date: Third quarter of 2026

21. UNCDF will further operationalize its partnership and communication strategies by developing work plans.

22. In paragraph 92, the Board recommended UNCDF clearly define the typology used for projects implemented in collaboration with other United Nations agencies, funds and programmes, considering guidance from the United Nations Sustainable Development Group where applicable.

<i>Department(s) responsible:</i>	Directorate and Operations and Oversight Division (OOD)
<i>Status:</i>	Under implementation
<i>Priority:</i>	High
<i>Target date:</i>	Third quarter of 2026

23. UNCDF is in the process of developing guidance to define and operationalize the various typologies. It is preparing a Standard Operating Procedure (SOP) that outlines a clear and standardized process for tagging projects under these typologies. The SOP will clarify roles, responsibilities, and documentation requirements to promote accuracy and transparency. Moreover, UNCDF will conduct staff and personnel trainings to ensure they are familiar with SOPs, typologies, and related terminologies—thereby supporting consistent application.

24. In paragraph 93, the Board recommended that UNCDF improve its joint project reporting system, enabling the consolidation of data and strengthening its reporting process.

<i>Department(s) responsible:</i>	OOD
<i>Status:</i>	Under implementation
<i>Priority:</i>	Medium
<i>Target date:</i>	Third quarter of 2026

25. UNCDF is working on strengthening the overall process of reporting on joint programming activities. To enhance consistency and accountability, it is establishing a data governance mechanism to ensure joint project typologies are systematically embedded within corporate project management systems. This will help improve data accuracy and strengthen the project reporting system. Targeted trainings will be conducted to build staff capacities and ensure familiarity with the system, project typologies, and related data management procedures.

26. In paragraph 102, the Board recommended UNCDF, in the Integrated Results and Resources Matrix (IRRM) that will accompany the next Strategic Framework under development, (i) reflect its cooperation with other UN entities and (ii) use whenever possible, relevant indicators from common United Nations or entity-specific monitoring frameworks.

<i>Department(s) responsible:</i>	OOD
<i>Status:</i>	Under implementation
<i>Priority:</i>	High
<i>Target date:</i>	Third quarter of 2026

27. UNCDF agrees with the recommendation and is in the process of developing an IRRM alongside the next Strategic Framework 2026-2029, taking into consideration Board recommendations.

28. In paragraph 111, the Board recommended that UNCDF ensure project results frameworks and indicators (i) are aligned with the upcoming IRRM, and (ii) clearly specify Sustainable Development Goals (SDGs) and SDG targets, as relevant.

<i>Department(s) responsible:</i>	OOD and IID
<i>Status:</i>	Under implementation
<i>Priority:</i>	Medium
<i>Target date:</i>	Third quarter of 2026

29. UNCDF agrees with the recommendation and will ensure project results frameworks are aligned with upcoming IRRM and SDGs targets.

IV. Status of recommendations from prior financial periods

30. In the Annex to its report for the year ended 31 December 2024, the Board of Auditors provided a summary of the status of implementation of recommendations from previous financial periods. This section summarizes the action plans and expected completion target dates for recommendations that have been reported as outstanding to date by the Board.

Table 3. Status of outstanding recommendations from prior years

<i>Board of Auditors report thematic area</i>	<i>Total</i>	<i>Under implementation</i>
Management of budget processes (#75, 77, 141)	3	3
Total	3	3
Percentage	100%	100%

31. **In the report of the Board for the year ended 31 December 2023 (A/79/5/Add.2), in paragraph 75, the Board recommended UNCDF clearly define the scope of its “institutional Budget,” detailing provisional revenues, expenditures and staffing positions, and formally submit this to the Executive Board for approval—as required by UNDP Financial Rules and Regulations.**

Department(s) responsible: Investment Finance Oversight Division (IFOD)
Status: Under implementation
Priority: High
Original target date Third quarter of 2025
Revised target date: Fourth quarter of 2025

32. UNCDF defined the scope of its institutional budget and will submit its integrated resource plan and integrated budget as required by the Financial Regulations and Rules in the fourth quarter of 2025.

33. **In paragraph 77, the Board recommended that UNCDF build up an informative “integrated budget” with provisional revenues and expenditures for both institutional and programmatic components, and present regular updates to the Executive Board.**

Department(s) responsible: IFOD
Status: Under implementation
Priority: High
Original target date Third quarter of 2025
Revised target date: Fourth quarter of 2025

34. UNCDF has prepared an integrated budget which includes provisional revenues and expenditures for both institutional and programmatic components and will submit its integrated resource plan and integrated budget in the fourth quarter of 2025.

35. **In paragraph 141, the Board recommended that UNCDF assign ownership of performance indicators and report results to the Executive Board, as they will be considered for the development of the subsequent budget.**

Department(s) responsible: OOD
Status: Under implementation
Priority: Medium

<i>Original target date</i>	Second quarter of 2025
<i>Revised target date:</i>	Fourth quarter of 2025

36. As part of its annual performance evaluation exercise, UNCDF assigned ownership and clear goals and will use these results to inform the development of the subsequent budget.

V. Impact of implemented recommendations

37. Management undertook a series of targeted actions to implement key audit recommendations and strengthen internal controls across the organization in line with Board observations and guidance.

38. UNCDF has refined and strengthened its grants management framework to ensure full compliance with UNDP Programme and Operations Policies and Procedures and approval from the Investment and Disbursement Impact Committee for all grant transactions. These measures have enhanced distinctions between exchange and non-exchange transactions, as reflected in 2024 financial statements.

39. The implementation of the 2024–2025 UNCDF Resource Mobilization Strategy, approved by the UNCDF Executive Secretary, has already strengthened organizational positioning and partnerships within the United Nations system, multilateral development banks, and the private sector. Deliberate outreach and targeted approaches have helped advance concrete dialogues and led to programmatic complementarities and joint pipeline development. Amongst others, these efforts have contributed to more coherent and system-wide positioning of UNCDF within the United Nations development system. Lessons from this experience are informing the design of the forthcoming Strategic Framework 2026–2029 and accompanying update to the Resource Mobilization Strategy

40. UNCDF further clarified the scope and structure of its institutional budget and formalized the budget planning process. UNCDF is in the process of formally submitting the integrated resource plan and budget for approval.

41. UNCDF organizational structure was revised in 2024, resulting in a new working structure that enhances support to country presences and field operations. Revisions continue to strengthen the partnership with UNDP through a renewed administrative agreement.

42. Overall, implementing these recommendations has strengthened the UNCDF organizational culture of accountability and improved governance. UNCDF remains fully committed to ongoing efforts to enhance effectiveness, transparency, and assurance across all areas of its operations.

VI. Conclusion

43. 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 UNCDF staff. Management will closely monitor the implementation of all audit recommendations to further strengthen productivity, accountability, transparency, and performance for results and impact. UNCDF will ensure the timely closure of all recommendations issued by the United Nations Board of Auditors.