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BOARD OF AUDITORS
NEW YORK
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Opening Statement to the Fifth Committee on the Report of the Board of Auditors on the United Nations Peacekeeping Operations (A/69/5 (Vol. II))

4th May 2015

Mr Chairman,
Distinguished Delegates,

On behalf of the Chairman, Mr. Mussa Juma Assad, (United Republic of Tanzania) and other Members of the Board, Mr. Shashi Kant Sharma (India) and Sir Amyas Morse, (United Kingdom of Great Britain and Northern Ireland), I have the honour to introduce the report of the Board of Auditors on the United Nations peacekeeping operations for the financial year ended 30 June 2014.

As in previous years, the report is the culmination of the collective efforts of the Members of the Board. India, as the lead auditor of the peacekeeping operations, is responsible for the audit of the peacekeeping operations at the headquarters, the UN Global Service Center at Brindisi, the Regional Service Center at Entebbe and four missions while the United Kingdom is responsible for the audit of six missions and Tanzania for four missions.

The financial statements of peacekeeping operations for the year ended 30 June 2014 are the first set of statements prepared in accordance with the International Public Sector Accounting Standards (IPSAS). This posed a major challenge for management. There were delays in the preparation of the full financial reports package of the field missions which impacted our audit. The delay necessitated additional checks during the audit of the financial statements at Headquarters. Moreover, the financial statements forwarded by the Secretary General to the Board on 30 September 2014 had significant errors that were detected during the course of our audit. The financial statements were subsequently revised by the Administration and were re-submitted to the Board on 3 November 2014.

The Board could not undertake the planned field audits of UNMIL and UNDOF due to travel restrictions in Liberia consequent upon the outbreak of Ebola and security considerations in the UNDOF area of operations. The Board employed alternative audit procedures to obtain reasonable assurance that the financial statements, as a whole, were free from material misstatement.

Despite the above challenges, the Board was able to send the final report in a timely manner to the Administration on 22 January 2015 to facilitate the Secretary General's response.

Audit Opinion

The Board issued an unqualified opinion for the financial period ended 30 June 2014.

The Administration has thus successfully completed the transition of the peacekeeping accounts from UNSAS to IPSAS framework and the Board commends their efforts in this regard. The Board considers that besides the milestones achieved, the administration is now faced with the challenge of improving systems, strengthening internal control and improving decision making process and financial management if it is to deepen the achieved results and realize the full potential of the benefits of the IPSAS-based financial statements for peacekeeping operations as a whole.

Key Findings in the Long Form Report

The Board recognizes the positive efforts made by the Administration to address the Board's concerns and to enhance financial control and management. While acknowledging the progress achieved by the Administration, the Board noted continuing deficiencies in some business processes such as asset management, procurement of equipment and services, management of air transportation, implementation of the Global Field Support Strategy and in the use of ICT resources in peacekeeping.

Asset management

There were continuing deficiencies in asset management with delays in write-off of assets valued at \$12.2 million in 11 field missions and delay in disposal of already written off assets valued at \$22.8 million in 12 field missions. The total value of the assets that were not used for periods exceeding six months since their entry into stock in four field missions amounted to \$55.23 million while items valued at \$3.17 million could not be located during physical verification in four field missions.

Procurement and contracting

There was considerable scope for greater transparency as well as improving efficiencies in the procurement and contracting processes that could result in both savings as well as quicker provision of equipment and services required by the field missions. The Board noted instances of inconsistent application of the provisions of the Procurement Manual relating to obtaining security instruments that have both commercial implications for the vendors and impacting the ability of the Organization to protect its interests in the event of the vendor's non-performance. The Board also noted that the recommendations of the Headquarters' Committee on Contracts (HCC) and the Local Committee on Contracts (LCC) were not given due importance. These Committees were established under the United Nations Financial Regulations and Rules and their role and function are defined in the UN Procurement Manual. The primary purpose of these committees is to provide external scrutiny of procurement actions to promote transparency, accountability and adherence to the extant rules and regulations. The Board noted instances of contract extensions and amendment to a contract being made without reference to or adhering to the explicit recommendations of the LCC and HCC.

The hallmark of a good procurement process is fairness, integrity, transparency, impartiality, best value for money and compliance with the stipulated rules - and this becomes all the more important for an Organization that deals with a huge volume of procurement of both equipment and services from a range of suppliers in varied environments. In light of the audit findings despite the existing provisions in the Procurement Manual, the Board has recommended a review of the current arrangements and the provisions in the Manual to bring in more specificity so as to ensure consistent application of the provisions to protect the interests of the Organization and to strengthen the role of the committees to be able to function as an effective internal control mechanism and ensure best value for money, accountability and transparency in procurement decisions.

Air transportation

While the Administration has initiated steps to improve utilization of air resources, the under-utilization of flight hours across missions increased from 13 per cent in the previous year to 20 per cent during 2013/14. The Board noted wide variations in the cost of flight operations for the same kind of aircraft operating under similar circumstances. Further, the Strategic Air Operations Centre of the UN Global Service Centre in Brindisi could not achieve its objective of identifying economies and efficiencies in flight operations.

Global Field Support Strategy

While considerable progress has been achieved, the implementation of the Global Field Support Strategy has not progressed according to schedule and it is unlikely that all activities planned for completion by the end of June 2015 will be concluded. The Administration informed the Board that implementation of initiatives such as supply chain management, expansion of shared services and development of a business analytics framework will occur beyond June 2015. Hence, the progress of implementation of the GFSS needs to be escalated with a revised and realistic implementation plan together with a clear benefits realization plan which should be regularly reviewed by management.

Travel Management

The ACABQ had requested the Board to conduct a comprehensive audit of official travel and deployment of ICT resources in peacekeeping. In pursuance of the requests made by the Committee, the Board conducted an audit of these areas during the current audit cycle and will continue in the next year.

The Board noted that the expenditure on official travel increased from \$51.05 million in 2012/13 to \$65.55 million during 2013/14 exceeding the approved budget by 25 per cent. The Board had earlier in its Report for the year 2011/12 recommended that the Administration monitor the rates of compliance with the policy stipulating advance purchase of tickets for official travel. We noted high levels of non-compliance with the policy both at the Headquarters (Department of Field Support) and across field missions reviewed by the Board. The extent of non-compliance, points to the need for stricter

enforcement of the policy that has financial implications in terms of unnecessarily inflating expenditure incurred on travel.

ICT resources in peacekeeping

The Board conducted an audit of the ICT resources at the peacekeeping headquarters, the UN Global Service Center, the Regional Service Center at Entebbe and six field missions namely, UNMISS, UNAMID, MINUSMA, UNISFA, UNIFIL and MONUSCO. The Board's review of ICT expenditures found the following:

- wide variations between budgetary allocations and expenditure across the six missions and the Regional Service Centre in Entebbe;
- undue emphasis on considerations like the dominant position of a firm or product in the market and continuity and inter-operability while renewing existing standards or changing standards rather than undertaking a cost-benefit analysis with competing firms, products and services as envisaged under the financial regulations and rules;
- the lack of evaluation of the cost of change or migration and an empirical evaluation of the options available for fulfilling operational requirements or how the product or company being selected would fulfill those specific requirements;
- the lack of clear delineation of responsibilities and procedures to ensure a quick, effective and orderly response to information security incidents; and
- insufficient cyber emergency response procedures or designated teams to effectively assess, respond and mitigate breaches of cyber security.

The Board has recommended, inter alia, a more empirical and transparent process of setting standards as well as the undertaking of a cost-benefit analysis while adopting new standards, development of a comprehensive information security policy and a review of the procedures for utilization of ICT assets. Other recommendations include undertaking of a concerted awareness drive to sensitize users of the threats to information security and the steps to be adopted for cyber hygiene and exploring the possibility of setting up an organization wide computer emergency response mechanisms for coordinating and responding to cyber incidents and to carry out real time analysis to develop measures necessary to secure the UN's information assets, resources and data.

Mr. Chairman and Distinguished Delegates, this concludes my statement. My Colleagues and I will be available to respond to the Committee questions during the informal sessions of the Committee.

Thank you.

Fransis A. C. Kitauli
Director of External Audit
United Republic of Tanzania
Chairman, the Audit Operations Committee