

**Opening Statement to the Fifth Committee
on the Report of the Board of Auditors on the
United Nations Peacekeeping Operations (A/70/5/Vol.II)**

[9 May 2016]

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, (UK), 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 2015.

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 Centre at Brindisi and Valencia, the Regional Service Centre at Entebbe and five missions while the United Kingdom is responsible for the audit of six missions and Tanzania for four missions. The responses received from the Administration, both to the management letters as well as the draft Report, have been considered and suitably reflected in the final Report.

Audit Opinion

The Board has issued an unqualified opinion on the financial statements of the United Nations peacekeeping operations for the financial year ended 30 June 2015.

Overall conclusion

The peacekeeping budget for the financial year 2014/15 was \$8.57 billion which represented an increase of 8.6 per cent compared with the previous year's budget of \$7.89 billion. Expenditure increased by 9.1 per cent in 2014/15 to \$8.30 billion from \$7.61 billion in 2013/14. An amount of \$0.27 billion was unutilized.

The year ended 30 June 2015 was the second year of preparation of the financial statements under IPSAS. Administration has strengthened the systems and processes for preparation of financial statements which was reflected in greater accuracy and reduction

in the number of errors requiring rectification. However, there remains room for further improvement and Administration needs to continue its efforts to strengthen IPSAS based accounting processes and in particular train staff at the field missions.

The overall rate of implementation of its recommendations remained more or less static with a marginal increase from 51 per cent in 2013/14 to 52 per cent in 2014/15. However, implemented recommendations included recommendations that have been reiterated in the current report and have been closed in the previous report only to avoid duplication. If these are excluded, the rate of implementation in terms of actual remedial action falls to 28 per cent.

The Board noted noticeable improvements in some areas that had been highlighted by the Board in its previous reports; for instance, reduction in delays in write off and disposal of written off assets, reduction in excess holdings of light passenger vehicles, improvement in the compliance with the policy directive relating to advance purchase of tickets for official travel and better utilization of budgeted flight hours.

Key Findings in the Long Form Report

While acknowledging the progress achieved by the Administration, the Board noted continuing deficiencies in number areas as follows:

Budget formulation and financial management

There was no significant improvement in the level of variances between appropriation and expenditure across missions in both classes and sub-classes of expenditure. There were instances of expenditure under classes and sub-classes that did not even have an appropriation.

Deficient budget formulation led to re-deployments between different classes of expenditure totalling \$291.36 million during 2014/15 which was about the same level, in terms of percentage of original budget, as in 2013/14. In some instances, amounts re-deployed under a particular expenditure head remained partly unutilized at the end of the financial period.

Asset management

The directive on property management requires that assets be put to use immediately after their entry into inventory, with the exception of reserve and safety stock items. However, assets valued at \$37.79 million were awaiting deployment for periods longer than six months. Further, 9,550 assets valuing \$14.71 million were transferred to missions after the expiration of their life while 5,720 items valuing \$8.86 million were transferred to missions with less than one year of useful life remaining. A total of 7,810 items valued at \$11.2 million out of the total of 56,366 items (14 per cent) had crossed their life

expectancy while lying unused in stock. Items valued at \$4.57 million were not found during physical verification in three field missions. There was evidently a need for closer linkage between acquisition planning and procurement of equipment and their deployment.

Strategic Deployment Stock

Strategic Deployment Stock (SDS) was set up in 2002 to facilitate quick start-up of new missions. This involves both timely procurement of items as well as turnover of stocks to ensure that the items in stock remain contemporary. As at 30 June 2015, there were 3,687 items valued at \$46.06 million in the SDS inventory. However, 55 per cent of the items in SDS were more than a year old. These items included ICT equipment valued at \$3.37 million, which were prone to obsolescence within a short span of time. A total of 579 items valued at \$4.37 million had already exceeded their useful life.

Travel management

Administrative instructions states that all travel arrangements for individuals including advance booking and purchase of tickets should be finalized 16 calendar days in advance of commencement of official travel. The overall extent of non-compliance decreased from 52 per cent in 2013/14 to 48 per cent in 2014/15. However, non-compliance increased in some missions. A number of cases of non-adherence to the policy were related to travel for conducting interviews, attending meetings and carrying out evaluations/inspections that could have been planned in advance.

Air transportation

Peacekeeping operations incurred an expenditure of \$750.92 million on air transportation during 2014/15 which was 26 per cent of the total expenditure of \$2.84 billion under operational costs. Aircraft were not utilized by the missions for more than 51 per cent of the contracted days and there remained a persistent mismatch between available flight hours and those actually required or utilized by missions.

The primary purpose of the Strategic Air Operations Centre is to make strategic and out of mission flights efficient, cost effective and responsive to operational needs by taking into account the complexities, specificities and operational conditions of each mission. This objective remained unfulfilled as it failed to carry out either pre-flight or post-flight analysis of the bulk of strategic or out of mission flights.

Under-utilization of unmanned aerial vehicles

MINUSMA and MONUSCO had introduced Unmanned Aerial Vehicle Systems for reconnaissance purposes. The average utilization ranged from eight to 44 per cent of the estimated utilization per month. Given the experience gained and keeping in view the actual utilization rates, there appeared to be scope for optimization of the number of systems leased to reduce costs without compromising operational requirements.

Procurement and contracting

The Board continued to note instances of deviations from bid requirements or established tendering processes, lack of competitive bidding, non-levy of liquidated damages, non-adherence to provisions relating to performance bonds and deficient contract management. Prompt payment discount amounting to \$524,670 could not be availed of under contracts for fuel, rations and other items due to delays in processing of invoices and claims.

Global field support strategy

The Administration has achieved substantial progress in various components of global field support strategy over the five years of its implementation period till June 2015. However, the end state vision for each pillar of global field support strategy was not fully achieved. While the Administration did face challenges in implementing various facets of global field support strategy arising from competing operational demands, it should have been possible for Administration to coordinate, prioritize and plan its activities more effectively focusing on a clearer demonstration of how the essential objectives of global field support strategy were achieved and to better demonstrate the benefits accrued to all stakeholders. The Board highlighted the following:

- Though governance and performance management were identified as key elements that were to be established at the beginning of the global field support strategy period, the end state vision and the key performance indicators were introduced in the second and third year of implementation. Articulation of the end state vision and a plan for implementation of global field support strategy at the initial stage of the implementation period would have facilitated achievement of the end state vision.
- The Global Field Support Strategy Steering Committee was the primary body to provide overall guidance and corrective actions for timely implementation of the overall strategy. Like in the previous year 2013/14 the Committee had met only once in 2014/15. Lack of periodic monitoring and review of the progress of implementation of the strategy by the institutional mechanism established for this purpose detracted from its effective and timely implementation.
- A Program Implementation Plan had been developed in May 2013 consisting of 12 main activities and 176 sub-activities. In its previous report, the Board had highlighted that 75 out of the 176 sub-activities were yet to be completed. The Program Implementation Plan was updated only in February 2015 with just four months left of the implementation period at which stage 40 sub-activities were pending. At the end of the global field support strategy implementation period, 11 sub-activities remained pending.

- Despite the Board's previous recommendation, no steps were initiated to either re-constitute the Resource Efficiency Group or charge another body to discharge the function of identifying and following through on identified efficiencies.
- Key elements of the human resources pillar like workforce planning, succession management, filling up of vacancies and a monitoring and accountability framework were yet to be achieved.
- There were also delays in taking forward the supply chain management pillar and in developing enabling capacities.

The Administration had stated that the implementation of global field support strategy up to 2013/14 had resulted in net savings of \$424.51 million. Board found that some of the reported figures were only estimates based on budget and could not be construed as actual realized benefits. Furthermore, there were instances in which the Administration was not able to provide break-down or documentation in support of those costs or benefits including amounts that have been reported to the General Assembly. Consequently, the Board was unable to obtain sufficient evidence to fully validate the claims made by the Administration.

The Board recognizes that while the benefits of a business transformation strategy such as global field support strategy may be both tangible and intangible, a benefit realization plan must capture the actual costs and realized benefits based on an objective and consistent methodology that can be empirically established.

Information and communications technology resources in peacekeeping operations

The Board continued its examination of deployment and utilization of ICT resources in peacekeeping operations and highlighted the following:

- There were 163,886 number of ICT assets with purchase value of \$639.49 million. The life expectancy has been fixed as four years for information technology assets and seven years for communication assets. A total of 50,573 ICT assets (31 per cent) valued at \$243 million had exceeded the life expectancy. A large number of ICT assets were unutilized or lying idle.
- Despite the previous recommendations of the Board, Market research or cost benefit analysis had not been either undertaken or documented in respect of any of 15 ICT standards, newly formulated or extended during 2014/15.
- Disaster Recovery and Business Continuity Plans that were scheduled to be reviewed in October 2013 were yet to be reviewed and updated.

- Systematic and periodic vulnerability assessments are essential to identify security threats to information security systems in an organization. Four of the six missions reviewed were not aware of cyber security penetration testing having been performed; and
- Details of training and awareness programmes on ICT security conducted during 2014/15 were not available.

Based on its findings, the Board has made a number of recommendations aimed at redressing the weaknesses identified and for improving governance and financial management of the Organization.

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.

Salhina M. Mkumba
Director of External Audit (Tanzania)
Chairman of the Audit Operations Committee