

Opening statement to the Fifth Committee

Report of the Board of Auditors on United Nations Peacekeeping Operations for the period from 1 July 2016 to 30 June 2017

(A/72/5 (Vol. II))

[15 May 2018]

Mr. Chairperson,
Distinguished Delegates,

On behalf of the Chairman Mr. Rajiv Mehrishi, Comptroller and Auditor General of India and the other Board members Mr. Kay Scheller, President of the German Federal Court of Auditors and Professor Mussa Juma Assad, Controller and Auditor General of the United Republic of Tanzania, 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 2017.

The Report is the culmination of the collective effort of the Members of the Board namely: Germany, India and Tanzania.

Germany, as the lead auditor of the peacekeeping operations, was responsible for the audit of the peacekeeping operations at the UN Headquarters, the UN Global Service Center at Brindisi and Valencia, the Regional Service Centre at Entebbe and five missions. India was responsible for the audit of six missions and Tanzania for the audit of four missions.

Within the tight time frame for reporting, the Board issued 16 management letters and submitted the final report in a timely manner. The draft audit report was finalized and forwarded to the Administration on 21 December 2017 requesting its comments. The Administration's responses to the management letters and to the draft report have been considered and suitably reflected in the report.

Audit Opinion

The Board has issued an unqualified opinion. This means that the financial statements present fairly, in all material respects, the financial position of the United Nations peacekeeping operations as at 30 June 2017 and its financial performance and cash flows for the year then ended in accordance with IPSAS.

Overall conclusion

The peacekeeping budget for the financial year 2016/17 was \$7.9 billion which represented a decrease of 4.7 per cent compared with the previous year's budget of \$8.3 billion. On budget basis, expenditure decreased by 2.7 per cent from \$8.0 billion in 2015/16 to \$7.8 billion in 2016/17. An amount of \$0.1 billion was unutilized.

The year ended 30 June 2017 was the fourth year of preparation of the financial statements under IPSAS.

The current report provides 75 new recommendations whereas last year's report provided 55 recommendations. The large number of new recommendations results from the comprehensive air operations audit (15 recommendations) on the ACABQ's request. Moreover, recommendations often require actions for compliance and may in some cases take a longer time for implementation. The administration implemented 92 per cent of the 2013/14, 71 per cent of the 2014/15 and 42 per cent of the 2015/16 recommendations so far. In this context, the Board would like to recall General Assembly resolution 69/249 B, which requested the Secretary-General to ensure the full implementation of the recommendations of the Board in a prompt and timely manner and to provide a full explanation for the delays in the implementation of all outstanding recommendations of the Board.

Key findings in the Long Form Report

Welfare and recreation committees

Several missions posted transactions of the welfare committees, both revenues and expenses, in Umoja. As a result, those transactions inadvertently became part of the financial statements of the peacekeeping operations. The general ledger account on which some of the welfare committees posted their transactions resulted in a liability of \$1.2 million for the United Nations as of 30 June 2017. Due to a lack of comprehensive reporting it is currently unclear whether that liability was covered by funds of the welfare committees and United Nations budgetary resources were spent on welfare activities. The Board also noted instances in which revenues intended for the welfare committees were paid to official United Nations bank accounts and where official United Nations bank accounts were used by the welfare committees to effect payments. While recognizing the importance of the welfare committees, the Board is of the view that the current modus operandi entails a significant reputational risk for the United Nations.

Audit of air operations on the ACABQ's request

On 25 April 2017, the Advisory Committee on Administrative and Budgetary Questions requested the Board to conduct a comprehensive audit of air operations, covering both peacekeeping and special political missions. The request coincided with the Secretary-General's address of 20 April 2017 to the Under-Secretaries-General of the Departments of Political Affairs, Peacekeeping Operations and Field Support and the

heads of 12 peacekeeping and six special political missions to conduct an initiative to enhance the efficiency and cost effectiveness of United Nations aviation.

In the Boards view, more sharing of commercial and military aircraft is possible, providing, coordination among missions is improved. Coordination and tasking of all strategic aircraft can be centralized. It is worth considering regional centralization as well. Globally and regionally centralized aircraft coordination and tasking necessarily entails centralized air operation budgets. Centralization should be done without exception, as missions still controlling own air operations budgets would be a source of hampering centralized coordination and unconditional sharing.

The administration compared actual flight hours to budgeted flight hours to analyse the efficiency and cost-effectiveness of air operations. The comparison showed that more and better indicators are needed to efficiently manage the peacekeeping aircraft fleet.

Missions' demand explanations and justifications for their aircraft fleets are given in "qualitative" terms only. The terms indicate the required features of the aircraft (e.g. operating distance, transport capacity, night-flight ability, armament) but do not allow drawing conclusions about aircraft fleet composition in terms of numbers and types of aircraft. None of the missions provided a "quantitative" concept of air operations which included all aircraft based on the mission support plan and the military strategic concept of operations.

Military aircraft are not available on the commercial market. The United Nations uses the contractual instrument of 'letter of assist' to have member states provide military aircraft on a reimbursement basis. Costs for military aircraft under letter of assist comprise the letter of assist costs for the aircraft itself and the memorandum of understanding costs for attached maintenance personnel and their equipment. There is neither competition nor transparency in the selection of the member states providing the aircraft. Aircraft are obtained without paying heed to the costs. Cost comparisons show that commercial aircraft are by far less cost intensive than military aircraft under letter of assist.

The letter of assist process is neither documented and nor does it follow any written rules. Accountability and responsibility remain unclear. The process is not implemented in Umoja.

The administration uses member states' aircraft under letter of assist and a wide-body aircraft under a long-term charter agreement for strategic air transport of personnel. Transport by the wide-body aircraft is less cost intensive than by member states aircraft. The current long-term charter agreement would allow for expanding capacity which, at the same time, would lead to decreasing use of member states' aircraft.

The administration and the Office of Internal Oversight initiated and conducted several internal reviews on the letter of assist contractual instrument since 2003. Valuable recommendations for increasing transparency and initiating competition according to the general United Nations procurement principles have not been implemented.

Audit of UNSOS procurement on ACABQ's request

The Board noted that the United Nations Support Office in Somalia was lacking clear arrangements on which personnel were responsible to manage expenditures. It also found several procurement cases revealing inadequate compliance with the Procurement Manual, timelines and the application of evaluation criteria. Items were ordered and paid for in advance, but even one year later, still had not been delivered. Controls need to be put into place to prevent recurrence of such weaknesses. The Board found that medical supplies were procured without prior demand and eventually expired without having been used ever.

Delegation of authority

The Board noted that the Secretariat had not implemented a clear and transparent system of delegating authority for peacekeeping operations. In areas such as human resources, procurement and finance, authority was sub-delegated inconsistently. Furthermore, responsibilities and accountabilities were not aligned. In the Board's view the system of delegation of authority is lacking a coherent strategy. This results in complex lines of authority, differing across the main areas and making it difficult to understand or manage authority. In addition, the official responsible for implementing the mandate is often another person than the official who has authority to manage the respective resources.

Procurement

According to the Procurement Manual, determination and selection of the international commercial terms to be used shall be made by the procurement officer on a case-by-case basis. In the contracts that the Board reviewed, the agreed delivery locations and terms were inconsistent. For instance, one vendor was contracted to deliver refrigerators either to Brindisi or to Entebbe. The United Nations would then organize the delivery to the final destination in the missions. The same vendor had another contract about delivering accommodation equipment including refrigerators to 18 mission locations. Some vendors had chosen not to participate in solicitations because they could not offer delivery to the required locations.

The Board holds that excessively high requirements, e.g. with regard to delivery to certain locations and to terms of contract, negatively affect competition. Most vendors will concentrate on providing the contracted goods, not on freight forwarding. In addition to that, the Board noted that the United Nations did not have full visibility of the costs associated with the delivery.

Selection of consultants

In the process of selecting a consultant or individual contractor, heads of departments, offices and missions are responsible for instituting competitive selection procedures. This can be done by evaluating individuals from a roster or issuing an opening in an electronic

platform. The Department of Field Support and the Department of Peacekeeping Operations stated not having a roster for the selection of consultants or an electronic platform. Missions established "rosters" without having tools or instructions for handling them. Some were using excel sheets listing all consultants and individual contractors who had worked for the mission in the past. Others advertised each consultant project. The applicants were kept as being rostered and available for selection. The Board is of the view that due to the lack of a proper opening or roster, it was not transparent which candidates were shortlisted. The administration stated that the functionality for a consultant roster and an individual contractor roster in Inspira would be rolled out in 2018.

Environmental management and waste management

The Board observed that missions could do more in preventing soil contamination; disposing of regular and hazardous waste could take place in a more environment-friendly way. Administrative stipulations and reporting obligations were not always adhered to, environmental personnel were not appointed or positions not filled. Missions could also make better use of renewable energy sources.

UNOCI Liquidation

The Board identified lessons to be learnt from the UNOCI liquidation. The United Nations should have prepared and begun the closure of the UNOCI peacekeeping mission earlier. Key personnel left the mission at a too early stage. As a consequence, valuable know-how was no longer available for tasks like sale of assets, cleaning and decontamination of sites which had been in use by the mission, and legally secure handover of sites and facilities to the host nation.

The Regional Service Centre in Entebbe executed residual administrative functions only, primarily in the areas of finance, human resources and travel services. The Board is of the view that the centre was involved too late. Lessons must be learned for future "better practice" of liquidation of missions. The liquidation phase needs to start sooner, involving the centre also at an early stage. Key personnel may not leave hastily. For that purpose, they must be given a secure prospect of a follow-on employment. Standardized handover certificates should be used and be included into the reviewed liquidation manual.

Mr. Chairperson and Distinguished Delegates, this concludes my statement. My colleagues and I will be available to respond to the Committee's questions during its informal session.

Thank you.



Anand Mohan Bajaj
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United Nations Board of Auditors
Chairman of the Audit Operations Committee

