

Opening Statement

to the Fifth Committee of the General Assembly

**on the Report of the Board of Auditors on United Nations Peacekeeping Operations
for the period from 1 July 2022 to 30 June 2023
(A/78/5 (Vol. II))**

6 May 2024

Mr. Chairman,

Distinguished Delegates,

I am pleased to introduce, for the second year of the mandate given to us by the General Assembly, the report of the Board of Auditors on the United Nations peacekeeping operations for the financial year ended 30 June 2023. The report is the result of the collective effort of the Members of the Board namely: Chile, China and France Supreme Audit Institutions.

France, as the lead auditor of the peacekeeping operations, audited volume II Financial Statements and peacekeeping operations at UN Headquarters, the three missions in Democratic Republic of Congo, Mali (performed remotely) and South Soudan, as well as the UN Logistics Base at Brindisi and the Regional Service Centre Entebbe. Chile audited three missions on-site, and China audited five missions on-site.

Audit opinion

The Board has issued an unqualified opinion on the Financial Statements as at 30 June 2023. This means that the Financial Statements present fairly, in all material respects, the financial position of the United Nations peacekeeping operations, and its financial performance and its cash flows for the year then ended in accordance with IPSAS.

Follow-up on previous recommendations

Out of 41 recommendations made in previous reports that the General Assembly had endorsed, 13 have been fully implemented, representing 32 per cent of outstanding recommendations, compared with 46 per cent in 2021/22. The Board noted however that 49 per cent of the 41 recommendations are still very recent, having been endorsed by the General Assembly on 30 June 2023.

Key findings

Without going into the detail of each observation, I would like to draw your attention on some of our key findings. This year, the Board has made 26 new recommendations, which have all been accepted by management.

I) Concerning on our **financial audit**, we particularly underline this year issues related to bank account management, employee benefit liabilities, credit returns to Member States and cost recovery.

1) Regarding bank account management, the Board identified discrepancies between the United Nations' register of signatories and banks, as well as outdated staff privileges which required to be removed.

2) On the question of Employee benefit liabilities, the Board notices that non-current employee benefits liabilities amounted at \$1,597.8 million in Volume II 2022/23 financial statements. The estimation of the valuation of employee benefits liabilities is outsourced to an actuary firm under a contract. Efforts were made by the Administration to provide all appropriate documentation. However, progress in assessing the actuarial assumptions of medical plans and cost-sharing process is to be made.

3) The method of calculating the credit returns to Member States is complex and has been refined in the financial year 2022/23. However, this sensitive procedure needs to be fully documented to ensure transparency. Meanwhile, a malfunction in the Umoja Budget module, has affected the calculation of the credit returns to Member States over the last nine years. The Administration identified this malfunction and resolved it in July 2022. The provisional understatement estimated at this stage by the Administration represents \$17.0 million. The exact amount is currently being determined and will be rectified once the correction is considered as final.

4) On cost recovery, the accumulated surplus of 105.2 million is similar to last year. Maintaining a substantial unencumbered balance is not an effective or efficient method of fund management. To avoid receiving a double income, one from peacekeeping cost recovery fund and the other from assessed contributions, entities are required to determine whether an expenditure related to the cost recovery fund is not already covered by assessed contributions. The Administration has identified misclassification of revenue, leading to the return of \$21.0 million to Member States.

In these various areas, the Board has made 11 recommendations.

II) Another area of focus of our audit on peacekeeping operations this year concerns **the management of budget processes**.

Appropriation of peacekeeping operations is following a downward trend due to the overall reduction of their number and size. Total appropriation fell from \$7.2 billion in 2018/19 to \$6.5 billion in 2022/23. This trend will amplify in the coming years with the closure or phasing out of some of the large missions.

The Board focused its audit on the management of budget processes in peacekeeping operations on four areas: budget planning, preparation and formulation; resource and liquidity management; budget implementation; and budget, accountability and reporting on performance.

1) Budget planning, preparation and formulation of peacekeeping operations are intrinsically difficult exercises, on which recent progress has been made. These processes still suffer from the limitation of the essentially incremental approach used and from the lack of a multiyear perspective. The participation of all stakeholders in the peacekeeping budget development process could also be improved, and scalability opportunities at both Headquarters' and service centres' levels remain under-exploited.

2) Liquidity tensions faced by some peacekeeping operations have led to the introduction of several tools, which have proved useful but are now reaching certain limits, including in the case of the borrowing mechanisms. At the end of 2022/23, unpaid contributions for active missions amounted to \$1.8 billion. In June 2023, the Secretariat was unable to ensure timely settlement of payments to cover some contingent owned equipment of troop- and police-contributing countries, leaving a total of \$224 million due. Liquidity management cannot completely overcome the difficulty to collect contributions in full and on time. Revenue, expenditure and liquidity management can be complementary to address this challenge.

3) Peacekeeping budgets have been characterized by a downward trend for several years, and various gaps compared to formulation can be noted. Flexibility of budget implementation at field level appears variable, while there exist opportunities to define and strengthen the functioning of the second "line of defence" in monitoring budget implementation, especially after the 2019 reforms.

4) The result-based budgeting framework and associated tools have been gradually rolled-out to ensure accountability and reporting on performance. However, quantitative and qualitative shortcomings make it difficult to analyze within the budget process the effective use of resources and progress made in implementing the mandates.

To address these challenges, the Board has made 6 recommendations, aimed to achieve greater accuracy, predictability and efficiency of budget development for peacekeeping operations; analyze the sustainability of the support account and develop scalability models for both Headquarters and service centers; present, in its next report to the General Assembly on improving the financial situation of the United Nations, desirable evolutions in revenue, expenditure and liquidity management for peacekeeping operations; ensure that, in the implementation of peacekeeping budget, appropriate checks and balances are in place and greater attention is paid to budgetary discipline and mandate priorities; streamline and improve the quality of the data used in accountability reports; and gradually build up an ex post presentation of the main expenses according to an analytical breakdown by mandate component.

III) A third area of focus of this year's report concerns the management of the civilian component of multidimensional peacekeeping operations.

The Board focused its audit on the civilian component of multidimensional peacekeeping operations on four areas: translating the mandate and planning the civilian component's operations; resource and management of the civilian component; integration of the civilian component within the mission and coordination with other stakeholders; and performance and accountability of the civilian component.

1) Multidimensional mandates are characterized by a growing complexity with regard to the civilian component's objectives. The translation of the mandate from strategic to operational level is based on a cascade of planning, but the quality of mission planning remains heterogeneous, the involvement of Headquarters appears inconsistent and the articulation of responsibility with key stakeholders outside the Missions is insufficient. Although essential given the scale and nature of the activities carried out by the civilian component, the sequencing of operations remains a weak point, particularly in the transition and withdrawal phases.

2) Available data on the staffing and cost of the substantive civilian component show growth in its cost despite stable headcount. Civilian components recourse to extra-budgetary funds to complement operating appropriations. They also face a series of challenging human resources issues, including on recruitment and staff rotation.

3) The United Nations has developed a strong doctrine on peacekeeping underlying the necessity of fully integrating all components of a multidimensional mission, including the civilian component. However, current practices of integration suffer from various weaknesses. UN agencies, funds and programmes engage in areas of concern to the civilian component. Many examples of cooperation exist but there is room to improve the effectiveness of this cooperation. The Host Country is the first and foremost partner of the civilian component. There is room to improve the effectiveness of the cooperation with key stakeholders outside the UN system.

4) Reporting on the performance of the civilian component mobilizes abundant data and uncoordinated tools. Paradoxically, this cumbersome process does not allow to report on the results of the civilian component in a relevant and reliable way. Therefore, achievements of the civilian component and key success factors are not highlighted enough. Shortcomings in performance assessment of the civilian component reveal a need for greater involvement of Headquarters and senior management of the missions and the necessity to streamline reporting requirements and to make better use of performance review tools.

To address these challenges, the Board has made 5 recommendations, with the objective of better planning the civilian component's operations; improving information on the costs; enhancing senior mission leadership mechanisms; better working with UN agencies, funds and programmes; and increasing the quality of the existing reporting on results.

IV) A fourth area of interest of this year’s report concerns the procurement of fuel.

1) Fuel represents a significant procurement category for peacekeeping operations, amounting to \$369 million in 2022. The Organization has defined a comprehensive strategy to enhance efficiency, yielding notable results. However, the Board noted occasional delays and interruptions in certain actions undertaken as part of this strategy. Market outreach and sustainable development are two areas for improvement. As the context has changed significantly, the revision of the fuel strategy adopted four years ago needs to be considered.

2) The Organization has introduced new methods to improve the efficiency of fuel procurement management. However, the results are not monitored through adequate reporting by the mission and the use of key performance indicators.

3) The Organization encountered major problems with the delivery of fuel to two large peacekeeping missions, which affected operations and led to a significant financial loss estimated at \$22.5 million. These problems, mostly linked to the financial difficulties of the provider, revealed the requirement of improving the Organization’s due diligence over its vendors. Measures have already been taken to better assess the financial health of vendors in the future.

In this area, the Board has made three recommendations, notably to continue reinforcing financial diligence on vendors, both at the selection phase and in case significant and persistent issues affect the ongoing performance of a contract.

V) The fifth and last topic that we wish to mention concerns the closure of MINUSMA.

The termination of MINUSMA’s mandate was not foreseen in the short term. It has represented a major challenge for the Organization since last June and will remain so in the coming months. Lessons learned from the recent closure of UNAMID were taken into account where applicable. The early withdrawal faced unanticipated risks and safety issues. Both UN Headquarters and the mission’s leadership were however able to respond to the situation in a reactive manner.

The Board has made a recommendation, to ensure a better anticipation and mitigation by peacekeeping missions of the risks associated with the event of a withdrawal. The Board will revert to this topic in the coming years.

Final remarks

That concludes our opening statement. As always, the Board stands ready to answer your questions. Thank you for your kind attention.



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