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BOARD OF AUDITORS

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Opening statement to the Fifth Committee
Report of the Board of Auditors on United Nations Peacekeeping Operations for the
period from 1 July 2015 to 30 June 2016
A/71/5 (Vol. II)

[1 May 2017]

Madam Chairperson,
Distinguished Delegates,

On behalf of the Chairman, Mr. Shashi Kant Sharma (Comptroller and Auditor General of India), and the other Board members of the United Nations Board of Auditors, Mr. Kay Scheller (President of the German Court of Auditors) and Professor Mussa Juma Assad (Controller and Auditor General of Tanzania), I have the honour to introduce the main findings from the Board of Auditor's Report on United Nations Peacekeeping Operations for the financial year ended 30 June 2016 (A/71/5 (Vol. II)).

Germany, as the lead auditor of the peacekeeping operations, is responsible for the audit of the peacekeeping operations at the UN Headquarters, the UN Global Service Center at Brindisi and Valencia, the Regional Service Center at Entebbe and five missions. India is responsible for the audit of six missions and Tanzania for the audit of four missions. The responses received from the Administration, both to the Management Letters and the draft report, have been considered and suitably reflected in the final audit report.

Whereas during the previous year the Administration as well as the Board continued to experience some challenges arising from the adoption of the International Public Sector Accounting Standards (IPSAS), during the year under review, we noted some progress as the administration is getting used to the new accounting system and the new reporting framework. However, we detected a particularly notable case of material misstatement to which I will provide more details later on when addressing the key findings.

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 2016 and its financial performance and cash flows for the year then ended, and are in accord with the IPSAS.

Overall conclusion

The peacekeeping budget for the financial year 2015/16 was \$8.3 billion which represented a decrease of 3.2 per cent compared with the previous year's budget of \$8.57 billion. Expenditure decreased by 3.4 per cent from \$8.3 billion in 2014/15 to \$8.02 billion in 2015/16. An amount of \$0.28 billion was unutilized.

The year ended 30 June 2016 was the third year of preparation of the financial statements under IPSAS. There was further visible progress in the Administration's efforts to strengthen the systems and processes for preparation of financial statements. The results came out in greater accuracy and reduction in the number of errors requiring rectification.

The Board made 31 recommendations in 2014/15. Whereas 15 have been implemented, five have been overtaken by events, 10 are under implementation, and one has been partially implemented. Over the past three financial years (2012/13 to 2014/15), 116 recommendations (81 per cent) of a total of 143 recommendations have been implemented. 10 recommendations (7 per cent) were overtaken by events and 17 recommendations (12 per cent) are still under implementation or have not been implemented yet. This marks a noticeable improvement of the Administration's efforts to implement the Board's recommendations.

Overall, the Administration continued its efforts to address the Board's concerns and to enhance financial control and management. Moreover, the Board basically noted increased transparency, fairness and responsiveness in the procurement process and continued improvement of physical verification of expendable and non-expendable property.

Nevertheless, as in the years before, there remains room for improvement in areas such as accounting, air operations, medical services, environmental and waste management.

The peacekeeping operations' financial position is stable, with sufficient cash resources to sustain core operations.

Key findings in the Long Form Report

Financial reporting

In the financial statements submitted to the Board on 30 September 2016, the employee benefits liabilities were understated by \$440.1 million, which correspondingly led to an overstatement of net assets in the same amount. The misstatement was caused by a late transmission of census data to the external actuary, the actuary's erroneous valuation of the mentioned liabilities, and administrative weaknesses in reviewing the actuary's valuation. In the course of the correction process following the communication of the Board's findings to the administration, the financial statements were revised two times before the Board could give approval.

Department of Peacekeeping Operations work plans

The Department of Peacekeeping Operations (DPKO) defines general work plans for its offices and sections which shall reflect the contents of the compacts of the DPKO Under-Secretary-General, the two Assistant Secretaries-General and the Military Adviser. The compacts include objectives, expected accomplishments and performance measures. Board noted that most of the work plans were only partially suited to follow whether the activities of the offices and sections were appropriate to reach the objectives formulated in the compacts. Restructuring the work plans and linking them to the compacts of the afore-mentioned incumbents would enhance the transparency of the efforts made by DPKO in fulfilling its mandates. If the work plans were adjusted this way they could be used as a management tool supporting DPKO staff at all levels to work efficiently and in line with the requirements of the mandates.

Assets and Property Management

The Department of Field Support (DFS) created the Property Management Performance Index as a method of aggregating complex information aiming to enhance visibility of missions' property management and use this as an indicator of achievement in the Results Based Budgeting Framework. The index revealed a mixed picture, showing missions well performing in accountability, less performing in stewardship. The index is a tool to avoid weaknesses in property management. For this purpose, the underlying data must be reliable, consistent and up-to-date. It will be crucial for DFS to maintain the data quality before and during the process of decommissioning the Galileo inventory system in 2017. DFS should continue the steps it has taken, especially in supporting missions in identifying areas of shortfalls and under performance.

Air Operations

There were unclear roles of the Strategic Air Operations Centre of the Global Service Center on the one hand, and the Transportation and Movements Integrated Control Centre of the Regional Service Centre on the other, in coordinating air assets. Both were neither involved in tasking aircraft and executing flight operations nor in flight safety issues. Full responsibility for that lies exclusively with the missions. Necessary guidance to perform the centers' activities is not provided due to the lack of governance documents, and policies and the outstanding review of the Aviation Manual of 2005. The Standard Operation Procedure for both centers needs to be updated.

Acquisition Planning and Procurement Management

The Administration has made further progress on the way to establish a Global Acquisition Plan. The Board encourages the Administration to continue strengthening this process. To maximize opportunities from consolidated procurement, it is essential that missions' demands are analyzed. On the basis of a Global Acquisition Plan, the Administration should develop a procurement strategy.

The Under-Secretary-General for Field Support has delegated procurement authority to the Directors/Chiefs of Mission Support who further delegate the authority to their procurement staff. However, the Department of Field Support currently does not have a full picture of the mission's procurement process sections, their staff and the staff's

training status. The Board considers it necessary that the Department of Field Support gains an overview about these areas.

Monitoring procurement procedures was also challenging because the Umoja Business Intelligence module was still under development. For instance, Umoja could not produce a report of system contracts and did not capture the whole end-to-end process. It is critical that these and other deficiencies are addressed and rectified.

Management of Human Resources

Peacekeeping operations frequently deploy consultants and individual contractors. In the first instance and to avoid unnecessary expenses, missions should examine whether the work demanded could be done by its own staff. Only and in so far as the answer is negative awarding a contract should be considered. Work assignments in this context have to be described in more detail, and the duration of assignments has to be appraised more realistically.

Another problem is Temporary Duty Assignments from one mission to another or between Headquarters and missions. The Board observed cases in which the justification for the assignments was not convincing. Administration must have a closer look on these assignments. The Board is aware that the Administration has already analyzed assignments in missions in East and Central Africa. However, it does not have complete data of these assignments in other missions and headquarters. In order to avoid unnecessary spending, especially of travel costs and daily subsistence allowances, the Administration should continue to monitor the use of Temporary Duty Assignments.

Medical Services

Some Troop Contributing Countries medical units do not meet medical service requirements. There was lack of drugs and consumables, or lack of experienced personnel particularly in endemic diseases, or lack of doctors. The Board addressed these and other weaknesses and urged the Administration to monitor and ensure that missions meet their responsibilities in this field of paramount relevance for the health and well-being of personnel.

Environment management and waste management

Environmental issues - and to what extent of responsibility missions deal with them - are of growing importance for the missions and are objects of intensified attention of inside and outside observers. The ACABQ recalled in its report A/70/742 of 20 April 2016 the General Assembly's request in its resolution A/RES/69/307 that the Secretary-General reduces the overall environmental footprint of peacekeeping missions. The Department of Field Support and the Department of Peacekeeping Operations issued corresponding guidance and worked towards their observance by the missions. Despite these and other activities aiming at protecting the environment and avoiding unnecessary production of waste at the missions' stations and progress made to date, the Board noted continuing weaknesses in the missions' handling of environmental protection. Such weaknesses identified were stated in waste water treatment, lack of solar power use, idling of cars and

continuous use of vehicles instead of a bus shuttle. The Board also found inadequate waste management.

In its resolution 70/286, the General Assembly requested the Advisory Committee for Administrative and Budgetary Questions to request the Board of Auditors to issue a compilation of lessons learned from the global field support strategy for publication on the website of the Board. This compilation of lessons learned can be found on the website of the Board.

Madam 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