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BOARD OF AUDITORS

NEW YORK

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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 2019 to 30 June 2020
(A/75/5 (Vol. II))

[May 2021]

Mr. Chairman,
Distinguished Delegates,

I am pleased to introduce the Report of the Board of Auditors on the United Nations peacekeeping operations for the financial year ended 30 June 2020. The Report is the result of the collective effort of the Members of the Board namely: Germany, Chile and China.

Germany, as the lead auditor of the peacekeeping operations, audited peacekeeping operations at UN Headquarters, four missions, the UN Global Service Center at Brindisi and Valencia and the Regional Service Centre Entebbe. China audited six missions and Chile audited three.

The Board issued 15 management letters and submitted the final report to the Under-Secretary-General of the Department of Management Strategy, Policy and Compliance, the Under-Secretary-General of the Department of Peacekeeping Operations, the Under-Secretary-General of the Department of Operational Support, Heads of Mission and Service Centre Directors on 18 December 2020 requesting their comments. The Administration's responses to the management letters and to the report have been considered and are suitably reflected in the report.

The Board had to audit the missions, service centers and the respective departments of UN headquarters offsite due to the COVID-19 pandemic which led to additional challenges. Only some documents were reviewed at headquarters on-site.

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 2020, and its financial performance and its cash flows for the year then ended in accordance with IPSAS.

Overall conclusion

The approved peacekeeping budget for the financial year 2019/20 was \$6.81 billion, representing a decrease of 4.9 per cent compared with the previous year's budget of \$7.16 billion. Expenditure decreased by 5.8 per cent in 2019/20 to \$6.71 billion from \$7.12 billion in 2018/19. An amount of \$0.1 billion was unutilized in 2019/20, compared with \$0.04 billion in 2018/19.

In the financial year 2019/20, net assets increased by \$212 million. The increase resulted mainly from an actuarial gain on employee benefit liabilities. The actuarial gain was caused by lower per capita claims cost.

The Administration had to implement 108 recommendations of previous audit reports. It implemented 42 recommendations, 52 recommendations remained under implementation and 7 were not implemented due to lack of any visible implementation progress. The Board assessed 15 recommendations as overtaken by events which include 8 recommendations the General Assembly had not endorsed in its resolution 73/268 B. The current report provides 30 new recommendations. The Administration did not accept six of them.

Open recommendations of previous audit reports

The Board is of the view that the Administration should put more effort in implementing recommendations and providing consolidated information supported by documents. A review of the reports of the Secretary-General on the implementation of the Board's recommendations showed that target dates for implementation were moved every year further into the future although the General Assembly regularly reminds the Administration to implement the recommendations in a prompt and timely manner. The Board acknowledges that some recommendations need time to be implemented and that the COVID-19 pandemic affected the Administration's operations. Still, the Board holds that it is necessary to implement recommendations in a timely manner to improve peacekeeping operations. To highlight important recommendations from previous reports still not implemented, the Board readdressed them at the beginning of the report.

Key findings

Let me now give you an overview on selected issues that the Board addressed. You will find a more detailed summary of the Board's findings and recommendations at the start of the report's chapter II.

Let me start with observations related to budget and finance.

Upon the ACABQ's request, the Board planned to assess the funding of the support account after-service health insurance expenditure and sent a questionnaire to the Administration on 28 October 2020. The Board did not receive a response until it finished its draft report on 16 December 2020. In its previous audits, the Board found that staff data relevant to after-service health insurance is insufficient and needs to be overhauled. The Board found that the same applies to the data used for the funding of the support account after-service health

insurance expenditure. Therefore, the scope of the data overhaul should be extended to allow the appropriate calculation of these expenditures. At the moment, the peacekeeping share paid is likely to be too low while the regular budget share is likely to be too high.

After-service health insurance costs are shared between retired staff members and the United Nations. The Board found that the United Nations cost shares assumed for the actuarial valuation of the after-service health insurance liabilities did not reflect the higher de facto cost shares of the United Nations in most cases. In particular, the insured population of US based health insurance plans and of the United Nations worldwide health insurance plan, which represent two-thirds of the total population, mostly contributed significantly less than assumed for the actuarial valuation. Thus, the after-service health insurance liabilities recorded in the financial statements may be understated.

Regarding performance the Board made the following observations.

The Board found that MINUSCA did not conduct the number of patrols as shown in the mission's budget to protect civilians. MINUSMA found severe shortfalls in 28 units of its military contingents. These related to undeclared caveats, continuous lack of equipment, no protection from improvised explosive devices and a refusal of commanders to comply with MINUSMA's directives. MINUSMA stated that this degraded the effectiveness of its force and impaired mandate implementation.

The Board reviewed the operations of UNMAS and its partnership with UNOPS. UNMAS was mandated to be the central service for mine action activities and to coordinate the mine action work of the United Nations. UNMAS outsourced almost all of its mine action work to UNOPS. Due to UNOPS reluctance to share information and because UNMAS lacked field-based practical experience and knowledge, the Board holds that it was difficult for UNMAS to fulfil its mandate. At the same time, having UNOPS as an implementing partner for almost all mine action activities shielded UNMAS from being held accountable.

Using UNOPS as an implementing partner for almost all mine action activities also added a layer of overhead costs. UNOPS mostly did not implement mine action itself but used UNMAS funds for third-party agreements. Also, various existing Secretariat resources were not utilized. The Administration together with missions need to obtain an independent analysis by a group of experts of whether this approach is cost-effective, transparent, competitive and in the interest of the organisation. The Administration has previously solicited a review of the UNMAS-UNOPS relationship which lacked objectivity because the Administration chose a former long-time UNOPS senior manager to perform it.

The Board examined if the Administration recovered costs from passengers that used United Nations aircraft. The General Assembly requested in its resolution A/RES/69/274 to limit non-United Nations air travel and to recover costs from those passengers. More than 37 per cent of MINUSMA air passengers in the Financial Year 2019/20 were non-MINUSMA. MINUSMA recovered only a fraction of the associated costs. It could have recovered at least \$10 million more. MINUSMA stated that all these travels without recovering costs had been essential to mandate implementation. Although this is in line with a draft policy of the Administration, it undermines the declared intention of the General Assembly. It also raises the demand for aircraft and fuel.

Missions either did not take any action to fill certain vacancies or did not start the recruitment process in a timely manner without justification for the delays. The Board holds that vacant posts need to be filled without undue delay. In particular, long-term vacancies or vacancies of critical posts with core functions have a negative impact on the achievement of the mandate. Staff members in senior management with core functions are essential to coordinating and managing relevant actions.

Temporary appointments may not exceed 729 days. Any extension beyond that results in a two year's appointment which must be granted at least as a fixed-term appointment. Staff members on fixed-term appointments have other benefits than staff on temporary appointments. By extending temporary appointments beyond 729 days the staff member is excluded from these benefits. The human resources policy stipulates that the heads of entity may grant exceptional extension of temporary appointments beyond 364 days up to the limit of 729 days established by the General Assembly.

The Board found that unmanned aircraft systems requirements can and should be justified on a more data-driven basis. It also noted that the contractors did not provide the unmanned aircraft systems services to missions as agreed. In such cases, this can lead to civilians or own troops being harmed because, for example, crucial intelligence is provided too late or insufficiently. Thus, provisions, such as liquidated damages, should be included in unmanned aircraft system contracts as a standard.

Ammunition has to be stored properly in accordance with specifications stipulated in the contingent-owned equipment manual. The Board found that at UNMISS for example, approximately more than 75 per cent of the ammunition was not properly stored. The Board holds that inappropriate storage should be avoided because it reduces the shelf life and increases the amount of unserviceable ammunition. This ultimately leads to avoidable reimbursement of incalculable amounts.

The Board noted irregularities in fuel consumption data in various missions. For example, records indicated that generators and vehicles received fuel beyond tank capacity. Improper data collection and lacking analysis of over-consumptions might increase the risk of fuel fraud in the missions.

UNAMID designated a large amount of assets to be scrapped, some of which have never been used. If possible, UNAMID sells these items for scrap-value. In this way, it generated \$2 million revenue so far. The acquisition value of items to be scrapped, however, totals roughly \$305 million. The Board holds that challenges in disposing of assets economically at the end of a missions' mandate require that stockholdings are kept at a necessary minimum.

Final remarks

That concludes my opening statement which highlights some of the Board's key findings brought out in the Report. As always, the Board stands ready to answer your questions.

Thank you.



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