

United Nations  Nations Unies

BOARD OF AUDITORS

NEW YORK

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**Opening Statement to the Fifth Committee
on the Report of the Board of Auditors on United Nations Peacekeeping Operations
for the period from 1 July 2020 to 30 June 2021
(A/76/5 (Vol. II))**

5 May 2022

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 2021. 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, three missions, the UNAMID liquidation, the UN Global Service Center (GSC) at Brindisi and Valencia and the Regional Service Centre Entebbe (RSCE). China audited five missions and Chile audited three.

The Board issued 13 management letters and submitted the final report to the Administration on 17 December 2021 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 audited GSC at Brindisi and UN Headquarters on-site. Due to the COVID-19 pandemic, the Board audited MINUSMA, MONUSCO, UNMISS and UNAMID liquidation as well as the RSCE remotely from the GSC in Brindisi. The other missions were audited remotely from non-UN locations.

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 2021, 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 2020/21 was \$6.82 billion, representing a minor increase compared with the previous year's budget of \$6.81 billion. Expenditure decreased by 1.5 per cent in 2020/21 to \$6.61 billion from \$6.71 billion in 2019/20. An amount of \$0.21 billion was unutilized in 2020/21, compared with \$0.1 billion in 2019/20.

In the financial year 2020/21, net assets decreased by \$109 million. The decrease resulted mainly from an actuarial loss on employee benefit liabilities.

The Administration had to implement 89 recommendations of previous audit reports. It implemented 53 recommendations, 22 recommendations remained under implementation and 9 were not implemented due to lack of any visible implementation progress. The Board assessed 5 recommendations as overtaken by events. The current report provides 10 new recommendations. The Administration did not accept three of them.

Statistics in Annex II to the report show that between the financial years 2015/16 and 2020/21 the average implementation rate was 47 per cent. In the same period the average rate of recommendations under implementation was 40 per cent. The average rate of recommendations considered as not implemented was 6 per cent while the average rate of recommendations considered as overtaken by events was 7 per cent.

Open recommendations of previous audit reports

Last year, the Board noted that the Administration moved target dates for implementation of open recommendations every year further into the future and decided to highlight important recommendations still not implemented at the beginning of its report.

The Secretary-General Bulletin ST/SGB/2011/3 stipulates that the management committee shall ensure that findings and recommendations of the Board of Auditors, the Joint Inspection Unit and the Office of Internal Oversight Services are effectively fed into the executive management processes, and that accepted recommendations are followed up and implemented in a timely manner.

In 2021, for the first time in the past six years, the Under-Secretary-General for Management Strategy, Policy and Compliance released an inter-office memorandum based on a decision of the management committee. The memo requested heads of entity to provide all comments and supporting documents which the Board might need for assessing the implementation status of the open recommendations. As a result, the Board observed a higher responsiveness of the Administration than in previous years which contributed to the high amount of implemented recommendations considerably. The long outstanding recommendations readdressed at the beginning of the report relate to integrated operational teams; to the implementation of the force generation process in Umoja; and to the promulgation of a guideline to include liquidated damages in unmanned aircraft systems contracts as a standard.

Key findings

Let me now give you an overview on selected issues that the Board addressed, starting with observations related to budget and finance.

On 26 May 2021, the Secretary-General issued the statement on internal control for the first time. In the statement, the Secretary-General assures that the United Nations Secretariat operated under an effective system of internal control during the year 2020.

In order to prepare the statement, each entity in scope had to identify its risks, controls in place and, in case, remediation plans for control gaps identified. Afterwards, the Administration assessed the internal controls through a survey to be completed by the entities. These self-assessments formed the basis for the statement on internal control.

The Board reviewed the risk-control-matrices and self-assessments of the peacekeeping related entities and noted some areas for improvement, for example some missions omitted risks or did not prepare remediation plans for all gaps identified. Also, the coordinating office at Headquarters, the Internal Control Section, did not discuss the risk assessment and the self-assessment with missions. In general, missions stated that they received limited feedback on the exercise from the Internal Controls Section. Nonetheless, the Board appreciates the Secretary-General's initiative to issue the statement on internal control and the progress made by the Secretariat.

Regarding performance the Board made the following observations:

a) United Nations Mine Action Service (UNMAS)

The Board continued its review of the operations of UNMAS. The Board noted that the Mine Action Service provided UNOPS with a funding of \$154.7 million for peacekeeping operations mine action activities in 2020/21 which were mostly conducted by third-party contractors. UNOPS paid \$51.1 million to the top three third-party contractors alone. The Board recalled that UNOPS charged a management fee of 8.15 per cent for contracting these third-parties. The Board found that therefore, UNOPS received management fees of \$4.2 million for the top three contractors. By comparison, the support account expenditure for Secretariat Mine Action Service staff amounted to \$1.6 million in 2020/21. The Board held that it could be more cost-effective if the Mine Action Service had its own requisitioning function.

Following the recommendations of the Board in its prior report (A/75/5 (Vol. II), paras. 162 to 178), the Administration decided to transfer mission Chiefs Mine Action Programme from UNOPS posts to Secretariat posts. The Board noted that the modified organizational setup

needed to be reflected in the financial agreements with UNOPS. With regard to the Secretariat-internal role of the Chiefs Mine Action Programme, the Administration drafted an internal responsibilities matrix. The matrix thus far was focused on mine action projects implemented by UNOPS. The Board held that it should also outline responsibilities for cases where the Mine Action Service implements mine action activities itself, for example, by directly administering third-party agreements.

With regard to mine action project assets, the Board found that certain assets should generally be provided by the mission, be excluded from the financial agreements with UNOPS and not be subject to the management fee surcharge of 8.15 per cent. Procurement of project assets through UNOPS should be the last option and an exception needing justification. Moreover, the new memorandum of understanding should contain detailed provisions on periodic asset reporting by UNOPS and the new Chiefs Mine Action Programme should have oversight over their missions' Mine Action Service project assets, receive the periodic asset reporting and have the right to assess their value and to inspect them.

b) UNAMID liquidation

The Security Council decided to terminate the mandate of UNAMID as of 31 December 2020. As of 1 January 2021, UNAMID therefore ceased to exist as a peacekeeping operation and organizational entity. UNAMID's former Director of Mission Support was the most senior staff member on the ground. He took decisions that would have required Head of Entity authority which he did not have; also, his delegation as Officer-in-Charge was not recorded in the Umoja portal. The Administration needs to define and codify delegation of authority for all drawdown and liquidation activities after the Security Council mandate of a mission has ended.

The Director of Mission Support decided that staff met their duties outside the mission host country. He did so to contain the spread of the pandemic. However, he still awarded danger pay as if staff were physically in the mission.

Senior staff did not stay in the mission to finalize outstanding tasks. This happened despite the Board's prior recommendations and against the will of the General Assembly. Since 2018, the Administration had pledged to introduce a human resource downsizing and liquidation policy to address this issue. In 2021 however, the Administration stated that implementing the recommendations was impossible and staff were free to accept other UN posts. Staff rules and regulations still allow senior managers to leave prematurely and not be held accountable.

UNAMID staff separation was not based on transparent criteria. Former staff members, especially those who held continuing appointments, contested the separation. They claimed that the UN was obliged to find another post for them anywhere within the UN system. The Administration agreed; it stated that continuing appointments would only expire at the regular retirement age. The Administration thus uniformly paid maximum enhanced termination indemnity to staff members that would leave the UN, if they would not contest the separation decision. In doing so, the Administration treated staff members with a continuing appointment largely as if they had a permanent appointment. This is against General Assembly resolution 63/250. Continuing appointments were specifically introduced to allow for termination in view of the changing needs, functions and mandates of the United Nations.

c) Supply Chain Management

During its audit, the Board noted several deficiencies in the property, plant and equipment and inventory management in the missions. For example, some missions did not determine stock levels or declared surplus items. The Board also noted excess stockholdings. Some missions acquired new items that were sufficiently on stock or showed a low consumption rate in the past.

To ensure efficient use of available resources and prevent overstocking, the Administration has already established some measures and plans to initiate further measures in the future. These include declaring and using surplus stock by the missions, reviewing new acquisitions through the clearing house function by the GSC or tracking key performance indicators by Headquarters. However, the Board noted that these measures were partly ineffective. The Board highlighted some issues that it considers important for assessing how to enhance the measures taken so far. For example, the Board holds that in order to achieve economies of scale for peacekeeping as whole in the end-to-end supply chain, a stronger central oversight with a global perspective would be beneficial.

d) Outlook without recommendations

As the mandate of the current lead auditor for peacekeeping operations will end at the end of the financial year 2021/22, the Board decided to provide an outlook without any recommendation. Based on the experience from the six-year term of its outgoing member, this outlook includes areas which the Board assessed as particularly important for peacekeeping operations and which might require the Administration to address them in the years to come.

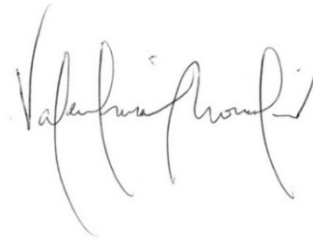
For example, the Board considers a further integration of results-based performance management into Umoja as crucial. In this regard, differences between the peacekeeping operations budget and the new regular budget in relation to many areas such as budget periods and performance reporting methodologies continue to create several challenges.

Also, the Board noted that currently, the delegation of authority regime applies only to administrative matters, not to programmatic, mandate related matters. It is the Board's view that the Secretary-General needs to regulate the delegation of programmatic authority for delivering on the mandate in the future.

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.

A handwritten signature in black ink, appearing to read 'Valentina Monasterio Galvez', written in a cursive style.

Valentina Monasterio Galvez
Chairwoman, Audit Operations Committee
Director of External Audit, Chile



Board of Auditors
Presentation on opening statement to the Fifth Committee
PKO Report FY 2020/21

Board of Auditors
May 2022

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 2021 and its financial performance and cash flows for the year then ended in accordance with IPSAS.

Financial overview I

- Budget 2020/21: \$6.82 billion (2019/20: \$6.81 billion)
 - Minor increase
- Expenditure 2020/21: \$6.61 billion (2019/20: \$6.71 billion)
 - Decrease of **1.5 per cent**
- Amount of \$0.21 billion unutilized

Financial overview II

- Net assets decreased by \$109 million
 - Mainly due to actuarial loss on employee benefits liabilities
- Cash situation varies between missions
 - Cash ratios between 0.02 (UNSOS) and 1.20 (UNDOF)
 - MINURSO, UNMIK, UNSOS again borrowed from MINUSMA

Statistics

10 new recommendations in the current audit report

- 3 recommendations not accepted by the Administration

89 recommendations of previous audit reports had to be implemented

- 53 have been implemented
- 22 remain under implementation
- 9 are not implemented
- 5 are overtaken by events

Previous recommendations

- Provision of information and documents
 - Memo initiated by Management Committee
 - Enhanced responsiveness
 - However, provision of supporting documents still delayed
 - Comments were not consolidated
- Implementation dates moved forward again, for example
 - Review of IOT objectives, processes and staff requirements
 - Force generation process implementation in Umoja and
 - Guideline on liquidated damages for UAS

Key findings

- **Budget and finance**
- **UNMAS**
- **UNAMID liquidation**
- **Supply chain management**
- **Outlook**

Budget and finance I

- Impact of the COVID-19 pandemic on the financial audit
 - Field audit at GSC Brindisi and Headquarters New York
 - Remote audit of missions from GSC Brindisi

Budget and finance II

- 26 May 2021, first **Statement on Internal Control** issued
- Further improvements needed, for example
 - Enhanced cross-cutting analysis and discussion
 - Stronger feedback to entities
 - Review of key controls identified

UNMAS

- Mission Chiefs Mine Action Programme
 - Posts switched from UNOPS to Secretariat
 - Reflect new setup in UNOPS agreements
 - Update responsibilities matrices
- Asset management
 - Use of missions' assets/infrastructure to avoid UNOPS management fee
 - Detailed reporting on assets by UNOPS

UNAMID liquidation

- UNAMID liquidation team leader had no delegated authority as Head of Entity, nevertheless authorized
 - Entitlements without justification
 - Staff separation
 - Enhanced termination indemnity payments
- Staff rules and regulations still allow senior managers to leave prematurely and not be held accountable

Supply chain management

- Deficiencies in inventory management, for example
 - No declaration of stock levels or surplus items
 - New acquisition of items aging in stock
- Current counter-measures partly ineffective
- Stronger central analysis and oversight needed

Outlook without recommendations

- Results-based management and Umoja
- Delegation of authority for programmatic activities
- First and second line of defense
- Financing peacekeeping operations' support



Thank you !