



OPENING REMARKS at FIFTH COMMITTEE
By IMRAN VANKER on behalf of AUDIT OPERATIONS COMMITTEE
of the BOARD OF AUDITORS

TUESDAY 12TH MAY 2009
IN CONNECTION WITH
THE REPORT OF THE BOARD OF AUDITORS ON PEACEKEEPING
OPERATIONS FOR THE YEAR ENDED 30TH JUNE 2008
(A/63/5 (Vol. II))

Original version
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Good morning Mr. Chairman and Distinguished Delegates.

I wish to thank you for your welcome, and in advance thank you and distinguished delegates for the attention and sincere interest that is always given to reports of the Board of Auditors.

I take the opportunity this morning to introduce my colleagues from the Audit Operations Committee, Mr. Myard, who represents Mr. Philip Seguin the First president of the Court of Accounts of France, and Mr. Hu the representative of Mr. Liu Jiayi, the Auditor General of China.

I address you today on behalf of the Chairman of the Board of Auditors, the Auditor General of South Africa, Mr. Terence Nombembe. Mr. Nombembe assumed chairmanship of the Board this year, and assures you of the Board's continued independent and professional service.

The Board of Auditors has undergone a change in its composition. During the last year, we said farewell to our audit colleagues from the Philippines, who were replaced by our new colleagues from the National Audit Office of China. This change in membership of the Board meant that the role of lead auditor for peacekeeping had to change also.

As Distinguished Delegates will fully appreciate, this was a very significant change both for the auditors and for our clients. In order to address this change, the Board of Auditors put in place a carefully constructed succession plan where for several months, colleagues from the Philippines and their counterparts from China exchanged audit experiences, audit manuals and audit methodologies.

The Administration of the UN also played a useful and active part in this process, with workshops and training being provided by various departments to assist and familiarize the new auditors. For this, we wish to acknowledge their support to ensure a smooth transition.

Internally, the Board provided professional support to the new auditors and arranged that the workload of audits of peacekeeping missions continue to be shared between the three members of the Board. Therefore, South Africa continued to audit the missions at MONUC, UNMIL, MINUSTAH and UNMIK, France retained responsibility for UNOCI and China performed field audits at the remainder of the missions as well as at UNLB and at Headquarters.

The report therefore presented to you today reflects our combined efforts and a continuation of the evolution of the layout of our reports which you observed and noted with appreciation at the end of the biennium. One of the further enhancements done by the Board, which is not noticeable to the Fifth Committee, but is of benefit to the Administration, is that for the first time, all three Board members issued management letters reflecting similar focus areas and layout. This has led to enhanced discussion and identification of common areas and threats to multiple missions.

Distinguished members of this Committee will recall that last year the Board issued an audit opinion with two emphasis of matters. This was a very serious matter. This year the Board has once again issued an audit opinion with two emphasis of matters. This is now the third consecutive year that peacekeeping has received an audit opinion with emphasis of matter paragraphs.

Each of these emphasis of matters reflect negatively on the control environment in peacekeeping and on the efficient use of resources and the safeguarding of the assets of the organization. It would be our interest to see the organization give the highest priority to addressing the concerns raised in these emphasis of matters in a very timely way so that the trend of modified audit reports is broken and a strong expression of good management is made.

Mr. Chairman,

Our report this year addresses all the relevant financial statement captions, the audit risks and audit themes identified by the Board, as well as those topics identified by the ACABQ when it considered our last report. You will find, therefore, that in appropriate places in this report there are references to the concerns raised by ACABQ and endorsed by the General Assembly. Generally speaking, the Board has found that several of the matters that you have identified for attention remain partially addressed by the Administration. In some cases, for example, with quick impact projects and with the integrated mission planning process (IMPP), we found that the relevant guidelines had still not been finalised by the Administration at the time of our audit, and so the Board's review could not be performed. We think that this hampers both the work of the oversight bodies and the notable intentions of the governing bodies.

I will now touch on a few of the other significant matters in our report. The Board has reviewed the status of the recommendations it made previously and found that only 32 per cent of recommendations made last year had been fully implemented at the time of our audit. This compares unfavourably to the statistics of a year ago. Of the partially and unimplemented recommendations, at least 20 per cent are two or more years old. We therefore observe in this report a significant increase in the total number of recommendations made. We are pleased to note that in the Secretary-General's report A/63/784 on the implementation of recommendations, further progress has been noted in addressing these recommendations.

We also wish to highlight the continuing increase in the value of assessed contributions outstanding. At June 2008, outstanding contributions exceeded \$1.5 billion, while some \$609 million of that was now at least two years overdue. The impact of this is reflected in the shortfalls of cash for active missions which has deteriorated during the last three years. The General Assembly and the Administration have expressed in clear terms the position that all assessments remain recoverable.

The Board continues to express its observation that despite the legal considerations, the accounting considerations would dictate that a fair view should be presented in the financial statements. With the advent of IPSAS (international public sector accounting standards), it may become necessary for the organization to make a provision for non-recoverable debtors or late paying debtors. We therefore stress that consideration should be given, before the advent of IPSAS to address this matter.

The third matter which has concerned the Board, and on which the Panel of External Auditors has also recently addressed a letter to the Secretary-General, is the readiness of the organization for the IPSAS implementation. It is now common cause that the deadlines of 2010 will be missed by several organizations and by peacekeeping, and in most cases decisions to postpone implementation to 2012 at the earliest have been made. While various elements of the project including the funding, the ERP system (enterprise resource planning) and the training are not yet fully in place, the cost of the project will require close monitoring to prevent excessive and unnecessary escalation. These developments will no doubt result in the benefits of improved disclosure and reporting being delayed.

The Board has continued to review the implementation of the RBB. The Board's findings, many of which have featured in the Board's reports for

several years indicate that the Administration has not yet fully and transversally addressed all the root causes identified by the Board, and that there therefore remains shortcomings in its implementation. Some of these causes which are more fully described in para 76-87, are that the RBB guidelines have not been complied with, that indicators of achievement are not always stated in clear measurable terms, and that the collection procedures for evidence to support achievement of objectives needed improvement.

Our report also has several observations on the important areas of procurement and contract management, fleet and rations management, air operations and ICT(information and communication technology). We have found that there is room for improvement in these areas, especially in the area of procurement and contract management.

Two further areas that we wish to highlight today are human resources management and the resident auditors. We have found that the human resources plans for missions had still not yet been established and we believe that this, in part, contributes to the very high level of vacancies. Vacancies impact on the delivery of mandates, the achievement of programme objectives, the under spending of allocations and the weakening of the control environment. The Board will review its findings and recommendations as well as management responses to this during future audits, in view of the human resources contract reforms that are underway.

We have continued to review the work of the resident auditors both with the view to relying on their work as well as assessing the coverage of relevant risks in the organization. We have found here too the impact of vacancies reflected in the high number of audits not completed and believe that this leaves the organization exposed to some risk.

Mr. Chairman,

My colleagues and I are looking forward to being available this week to respond to your questions and queries. While I have made all of these remarks in my capacity as Chair for the first time, the Committee will have the pleasure of hearing from Mr. Hu, who is the lead auditor, during the informal sessions.

Thank you.

End.