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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 year ended June 2011

7 May 2012

Mr. Chairman, Distinguished Members of the Fifth Committee,

Good morning.

On behalf of the Chairman, Mr. Liu Jiayi, and the other members of the Board, I have the honor to present our latest report on peace keeping operations for the year ended 31 July 2011.

As the Chair of Audit Operations Committee and on behalf the Board, I would like to assure you that the Board will continue to work in a collective manner to highlight systematic risks and weaknesses in control and management, to assist in enhancing the transparency and accountability of the United Nations.

As in previous years, the peace keeping audit report is the result of a collective effort by the Board. China continued to be the lead auditor of the peacekeeping operations, responsible for the audit of Headquarters, UNLB and five missions, with South Africa auditing four missions and the UK auditing five missions.

This year, the Board continued its intensive effort to meet the requirements of the General Assembly in its resolution A/RES/64/268 to submit the report in a timely manner. With the concerted efforts of all three Board members, the Board finalized its report on 17 January 2012, the same day as last year, and a copy of the report was forwarded to the Administration to facilitate the Secretary-General's response.

Given the improvements that continued to be made in 2010/11, and the ongoing programs under way to address the management of assets, specifically in the context of the Administration's plans to implement the International Accounting Public Sector Accounting Standards, the Board has issued a clear unqualified opinion on the financial statements of peacekeeping operations. We also considered it appropriate to remove the 'Other matter' paragraph (on non-expendable property and expendable property) included in last years short form report.

Our report addresses the important areas we identified based on our risk assessment and professional judgment. To facilitate the deliberation of the long form report by the distinguished members of the Committee, we have made it shorter and more concise, reducing the length (excluding annexes) from 77 pages last year to 57 pages this year. We have also focused on fewer but more strategically important areas, such as the budget formulation process, and the Global Field Support Strategy; and some of these will remain in our focus areas going forward as well. We also seek to more clearly draw out risks to good value for money, for example, the Board examined the efficiency of asset management and identified a high risk of wastage and loss in this regard.

Please allow me to highlight what I consider to be four of the more important findings:

(a) Firstly, the potential overestimation of $68 million for the 2010/11 budget.
The budget is a key tool for effective financial management and control, and thus is the central component of the process that provides the oversight of the financial dimensions of an organization's operations.

For 2010/11, the approved budget for peacekeeping operations was $7.95 billion. The Board examined the budget formulation process and identified a number of areas requiring improvement, including: (1) the need for further refinement of budget assumptions and ensuring their consistent application with due regard to individual missions' mandates and requirements; (2) improved computation methods; and (3) more thorough managerial and headquarters review of cost estimates to avoid errors and omissions.

On a sample basis, the Board found that these deficiencies resulted in a potential overestimation of $68.43 million in the 2010/11 budget. While ordinarily the overestimation could have been available as budget savings, the Board's findings on redeployments indicated that at least $22.1 million (34 per cent) was redeployed within the year to cover cost overruns in other classes or groups.

(b) Secondly, high risk of waste/loss of $136.56 million **assets.**
The Board found that some 23,243 assets valued at in 14 missions remained in stock for more than a year and had not been used as of the end of the 2010/11 financial year; of which particularly 3,247 assets ($13.74 million) were in "bad condition", "write-off" or "pending write-off". This has increased the risk of asset wastage or loss given that these assets may not be used any more or become obsolete. One of the root causes for this deficiency was the absence of an effective oversight mechanism that links asset management with the procurement function, to robustly monitor the appropriateness of, and need for, procurement particularly if these assets are already in stock.

(c) Thirdly, weaknesses in the management of construction of 'self-constructed' projects.
The Board found the absence of an effective framework to monitor closely the progress of 'self-construction' projects. For example, in the construction of the UNAMID Mission

Subsistence Allowance (MSA) Accommodation, a $90 million project vital to the successful delivery of the Mission, the mission reduced significantly the accommodation capacity of the project from 1,946 to 1,526 persons and built an additional unplanned cluster for the Joint Special Representative at a considerably higher standard and cost. These represent significant changes in what the Mission was going to deliver in terms of accommodation capacity under its approved budget. UNAMID did not, however, report to Headquarters the changes in the scope of the project nor did it seek prior approval for the changes. At the same time Headquarters was not closely monitoring the progress of the project.

(d) Finally, deficiencies in the programme management of the restructuring of DPKO and in the implementation of GFSS.

After reviewing the restructuring of the Department of Peacekeeping Operations, the Board could not objectively assess whether the restructuring reform had been successful because the Organization had not established clear targeted benefits and benchmarks from the outset of the reform process. This weakness was also apparent in the GFSS, another major business transformation, which has not fully established Key Performance Indicators for three of the project's pillars (modularization, global service centers, and human resources framework). The Board also noted the GFSS did not have a management system to track, compile and report the achievement of the KPIs under each pillar. We do, however, recognize that the United Nation's current financial and performance reporting systems (which are being replaced by Umoja and IPSAS), do not currently support effective programme management.

Besides the four main areas highlighted above, the Board this year also reports on other areas, including the IPSAS implementation, procurement and contract management, and mission exit and liquidation. For all these areas, the Board has identified deficiencies in the present report for the Administration to take actions for improvement.

This is to conclude my brief introduction on the peacekeeping operation report for 2010-11. We thank you again for this opportunity to communicate with you. I reiterate that my colleagues and I will endeavor, as always, to answer questions you may have during the informal session of the Committee.

Thank you.

Liu Yu
Director of External Audit, China,
Chairman, the Audit Operation Committee
United Nations Board of Auditors