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UN BOARD OF AUDITORS

Advisory Committee for Administrative
and Budgetary Questions (ACABQ)

OPENING REMARKS BY IMRAN VANKER
ON BEHALF OF AUDIT OPERATIONS COMMITTEE
ON TUESDAY 17TH FEBRUARY 2009
IN CONNECTION WITH ADVANCE COPY OF THE
REPORT OF THE BOARD OF AUDITORS ON
PEACEKEEPING OPERATIONS FOR THE YEAR
ENDED 30TH JUNE 2008 *

***Check against delivery**

Good morning Madame Chairperson and Distinguished Members.

May 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.

May I also on behalf of the Chairman of the Board, the Auditor General of South Africa, Mr Terence Nombembe express our congratulations to the newly joined members of the committee, Mr. Iosifov, Ms. Archini and Ms. Afifi. We look forward to an even stronger relationship with you than we enjoyed with each of your predecessors.

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

As distinguished members will imagine, this was a very significant change both for the auditors and for the 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 providing by various departments to assist the new auditors in becoming familiar.

Internally, the Board provided 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 MONUC, UNMIL, MINUSTAH and UNMIK, France retained responsibility for UNOCI and China performed field audits at the remainder of the missions.

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 ACABQ, 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 the Committee will recall that last year the Board issued an audit opinion with two emphasis of matters. This was a very serious matter and was regarded in this light both by yourselves and the Fifth Committee also. This year the Board has once again issued an audit opinion with two emphasis of matters. This is now the third year that peacekeeping has not received an unqualified audit opinion.

What has struck the AOC in relation to the emphasis of matter items that it has raised in previous years, is that not all of these items have been addressed diligently and promptly. 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.

Madame Chairperson,

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 this Committee 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. 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 established by the Administration and so the Board's review could not be performed. We think that this frustrates both the work of the oversight bodies and the 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 one 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 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 \$600 million of that was now at least two years overdue. The General Assembly and the Administration have expressed in clear terms their view that all assessments remain recoverable and that therefore, no provisions or write-downs for uncollectible debt should be made. The Board continues to express its opinion 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, it will become imperative for the organization to write-down the non-recoverable debt and thus endure the shock of a large unexpected write-down. We therefore stress that ways need to be found before the advent of IPSAS to address this matter.

The third matter which is of growing concern to the Board, and on which the Panel of External Auditors has 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. While various elements of the project including the funding, the ERP and the training are not yet in place, the cost of the project will no doubt escalate and the benefits will be delayed to the detriment of improved disclosure and reporting. Despite this, the Board was able to do some work on the existing financial statements and our detailed findings are presented in the report.

Another matter that has now become a regular in our reports has been the lack of progress with a properly functioning RBB system. Five years have passed since the Board's first recommendations on this topic, and we find that from year to year, the problems evolve among the missions. For this reason, the Board is recommending, a thorough review of the root causes of the observations.

Our report also has several observations on the important areas of procurement and contract management, fleet and rations management, air operations and ICT. We have found that there are rooms 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 developed 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 level of vacancies in some areas can be described as serious while the response to date can be described as ineffective.

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.

Madame chairperson,

My colleagues and I are looking forward to being available this week to respond to your questions and queries. We will endeavour as we always have to provide you with responses immediately, but where this is not possible, we beg your patience in advance so that we may revert to you with answers. While I have made all of these remarks in my capacity as Chair for the first time, the Committee will have the pleasure of not having to listen to me much longer, but instead will hear from Mr. Hu, who is the lead auditor.

Thank you.

End.