

United Nations  Nations Unies

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 2017 to 30 June 2018**

**(A/73/5 (Vol. II))**

**May 2019**

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Madame Chair,  
Distinguished Delegates,

On behalf of the Chairman Mr. Kay Scheller, President of the German Federal Court of Auditors and the other Board members Mr. Rajiv Mehrishi, Comptroller and Auditor General of India and Mr. Jorge Bermúdez Soto, Comptroller General of the Republic of Chile, 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 2018.

The Report is the result of the collective effort by the Members of the Board. The Administration's responses to the management letters and to the draft report have been considered and are suitably reflected in the report.

**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 2018, and its financial performance and its cash flows for the year then ended in accordance with IPSAS.

**Overall conclusion**

The peacekeeping budget for the financial year 2017/18 was \$7.50 billion which represented a decrease of 5.2 per cent compared with the previous year's budget of \$7.91 billion. Expenditure decreased by 4.9 per cent from \$7.80 billion in 2016/17 to \$7.42 billion in 2017/18. An amount of \$0.07 billion was unutilized.

The financial statements for the financial year 2017/18 were the first to be prepared without data imported from the legacy asset management system Galileo. This, together with the SAP Business Planning and Consolidation software implemented in the financial year 2015/16 and the full decommissioning of the Integrated Management Information System (IMIS) in the financial year 2016/17, enabled the Administration to further integrate core business processes in Umoja. This is a commendable milestone in the

deployment of Umoja. Nevertheless, errors in statement I and in the notes made one recertification necessary.

The current report provides 52 new recommendations whereas last year's report provided 75 recommendations. In the previous four financial years (2012/13 to 2015/16), the Board issued a total of 198 recommendations of which 15 recommendations were overtaken by events. Out of the remaining 183 recommendations, 168 recommendations (92 per cent) have been implemented and 14 recommendations are still under implementation. One recommendation is still not implemented.

## **Key findings**

### *Budget and financial reporting*

In 2017, the Administration migrated all data from the Galileo asset and inventory management system to Umoja. While the Board supports the integration of asset data in Umoja, its audit uncovered several weaknesses. The Board found that the physical verification and counting of assets was incomplete. Moreover, the Board noted that the identification of non-serialized equipment is challenging in Umoja. Under the current accounting policies, non-serialized equipment needs to be expensed. After inquiries of the Board and the subsequent identification of the issue, inventory had to be corrected by \$54.0 million, making a recertification of the financial statements necessary. The management of asset master data and data quality in general are currently insufficient to utilize all advantages of Umoja. To underline the importance of these findings, the Board's audit opinion includes an emphasis of matter.

Another focus area of the audit was cost recoveries. Missions recover cost for services provided to internal or external clients which are not covered by the budget. In order to receive allocations from the designated cost recovery fund, missions are required to submit cost plans upfront. The Board found that of 18 peacekeeping entities reviewed<sup>1</sup>, only 13 entities submitted cost plans. Without cost plans, expenditures related to cost recoveries will appear as expenditures from regular, mandated activities in the budgetary reporting.

In this year's report, the Board has placed a focus on the substantive side. The main issues the Board addressed relate to the implementation of peacekeeping mandates. The Board audited performance measurement, strategic reviews, troop contributing countries' selection and reimbursement as well as contingency-owned equipment.

### *Performance measurement and review of peacekeeping missions*

The Security Council seeks to enhance the overall effectiveness and efficiency of United Nations peacekeeping. He calls for an integrated performance policy framework which measures performance based on data collection and analysis. The Special Committee on Peacekeeping Operations requested the Secretariat to measure and monitor peacekeeping performance and to collect centralized performance data for planning and evaluation of

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<sup>1</sup> The 14 active missions, the support account for peacekeeping operations, UNLB, RSCE and MINUSTAH, the predecessor of MINUJUSTH.



peacekeeping missions. The Administration has begun to implement a system to monitor performance. The Board found that the data collected at the moment does not allow comparison of performance between missions. The Administration has accepted our recommendation to improve data collection accordingly.

The Board found that the Administration has intensified their reviews of peacekeeping operations by introducing comprehensive, independent reviews. While the Board welcomes the increased effort, it notes that the interrelation of legal documents regarding old and new reviews needs to be clarified and merged into one single file. The Administration has agreed to this.

#### *Transparency and objectivity in the selection of the Troop Contributing Countries*

The Board examined how the administration selects Troop Contributing Countries (TCC) for peacekeeping missions. It found that selection was done on an informal basis. There was no documentation of established criteria which would ensure that the best TCC offer was selected. It also found that critical information was not shared within the Administration.

#### *TCC reimbursement*

The Board found that performance of contingents varies when confronted with violence to civilians. However, TCCs still receive the same level of reimbursement per soldier deployed, as reimbursement is based on numbers, not on performance.

A special issue relating to TCC performance is hidden caveats. These become apparent when a contingent commander refuses an order by the mission's force commander. Hidden caveats are rarely reported and have no effect on TCC reimbursement or future TCC selection. The Board learned that the Administration tacitly accepts hidden caveats as only a few countries are deemed willing to deploy troops to the most dangerous missions. The Board learned also in the missions that hidden caveats are not reported because the missions feel this might spark tensions with the respective contingent's home country or that they might lose the contingent altogether.

The Board is of the view that the link between past force performance and future force generation needs to be fully articulated and established in policy. Contingents' past performance could be a determining factor for selecting future TCC. The Board holds that the United Nations should be able to pay reimbursement according to the performance it receives for the money it spends. The Administration has accepted the recommendation.

Another recommendation the Administration has accepted relates to capability gaps. When TCC report lack of training or equipment of their contingents, the Administration will seek to have it provided to them, if necessary by third countries.

#### *Contingent-owned equipment and troop strength reporting*

TCCs are responsible for deploying ammunition with an expected life in excess of the anticipated length of deployment. The Board found that the current guidance on

ammunition shelf life and ammunition levels was inadequate. It allowed for different interpretations by missions and troop contributors, notably with regard to the upper age limit for ammunition deployed by TCCs. The Administration agreed to finalize its review of the ammunition guidelines and establish an adequate ammunition upper age limit.

The Board reviewed the processing of claims for expended ammunition. It found that the current system did not include controls to prevent duplicate submissions of claims. The Board observed that the Administration had no overview on how many claims for expended ammunition had been processed. Furthermore, the Board found that operational ammunition claims had been charged to wrong accounts. The Administration agreed to conduct a comprehensive review.

All ammunition and explosives deployed to a mission is to be inspected and verified during the arrival inspection. The Board found that arrival inspections for ammunition had not been properly conducted. As a result, the Organization had no control on whether reimbursement claims for expired ammunition and explosives were actually justified.

The Board found that six units from five different contributing countries had deployed ammunition with expiration dates that pre-dated the deployment of these units. The Administration agreed to establish a compliance control.

Reimbursement for troops and formed police units and self-sustainment services is based on the actual troop strength reported from field missions. The Board found inaccuracies in troop strength reports. The Administration agreed to develop guidance for missions.

#### *Last year's air operations recommendations not implemented*

In 2017, the Board comprehensively audited peacekeeping air operations on ACABQ's request and included its findings, conclusions and recommendations in its previous report (A/72/5 (Vol. II)). For reasons which did not convince the Board, the Administration did not implement recommendations which were endorsed by the General Assembly. Therefore, the Board reiterates these recommendations in its current report.

#### *Final remarks*

That concludes my opening statement which highlights some of the Board's key findings brought out in the Report and our concerns. As always, the Board is happy to answer your questions.

Thank you.



**Peter Korn**  
**Director of External Audit, Germany**  
**United Nations Board of Auditors**