

Board of Auditors  
New York  
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OPENING STATEMENT TO THE FIFTH COMMITTEE  
ON THE REPORT OF THE BOARD OF AUDITORS  
ON THE AUDIT OF THE FINANCIAL STATEMENTS  
OF THE UNITED NATIONS PEACEKEEPING OPERATIONS  
FOR THE YEAR ENDED 30 JUNE 2010

Mr. Chairman,

Distinguished Members of the Fifth Committee:

On behalf of the members of the United Nations Board of Auditors, Chairman Mr. Liu Jiayi of China, Mr. Terence Nombembe of South Africa and Mr. Amyas Morse of the United Kingdom, I have the honour to introduce the Board's report on the audit of the financial statements of the United Nations Peacekeeping Operations for the year ended 30 June 2010.

As the Chair of Audit Operations Committee of 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, and to strengthen the relationship between the members of the Fifth Committee and the Board.

As in previous years, the audit of Peacekeeping Operations was conducted in a collective manner. China continues to be the lead auditor, responsible for the audit of Headquarters, UNLB and five missions, with South Africa auditing four missions and the UK five missions.

In order to meet the deadline for submission of the Board's report on Peacekeeping, and in line with resolution A/RES/64/268, the Board made great efforts to expedite the preparations of its report. The report was finalized on 17 January 2011, and a copy was forwarded to the Administration to facilitate the Secretary-General's response. The Board is pleased to note that the Secretary-General's response was made available to the Advisory Committee on Administrative and Budgetary Questions at the time of its examination of the Board's report.

Mr. Chairman and Distinguished Members:

This year, the Board issued an **unmodified audit opinion** with two other matter paragraphs relating to expendable and non-expendable property, following the recent changes in the International Standards on Auditing (ISAs). While this does not affect the audit opinion expressed, the main purpose of the other matter paragraphs is to draw to attention areas where significant improvement is still required.

This year, the Board's report continued to address the focus areas based on its latest risk assessment. Please allow me the opportunity to touch on some important findings.

### **Expendable and non-expendable property**

Although the Board recognized that there was an improvement in these two areas, there is no room for complacency, given the high inherent risks to effective financial control and management. The Board is of the view that further efforts are needed to improve the custody and stewardship of assets and to ensure that the records are accurate.

As you know, currently the Administration is introducing the Umoja project while the implementation of International Public Sector Accounting Standards is scheduled to take place in 2014. These two initiatives will bring about significant change in asset stewardship. However, of themselves, they will not change for improved asset stewardship, nor will they change the objective of achieving good value for money by reducing the unnecessary procurement of assets associated with weak asset management.

### **Unliquidated obligations (ULOs)**

The Board noted weakness in the management and controls over ULOs, which resulted in the creation of large amounts of ULOs near the fiscal year end; a high cancellation level of prior year obligations; and the invalid creation of about \$26 million of ULOs. The Board is therefore concerned that the Administration may be reserving the current year's budgetary allocation for application in the following year, resulting in an inaccurate disclosure of expenditures for the period under review.

### **Support Account**

Over the years, resources required for the support account have increased more than four fold to \$323 million in 2009/10. However, the present report indicates that the specific criteria for determining posts to be funded by support account were not clear, and that the justification for these posts was not supported by workload statistics.

### **Procurement and contract management**

The Board continued to observe deficiencies in this area, particularly in relation to the bidding processes. The Board also highlighted in this report a particularly high risk case in UNAMID.

### **Human resources management**

The Board continued to note that high vacancies remain an issue for missions. In particular, some posts remained vacant without any recruitment action for extended periods of time, in one case for over ten years, which may indicate that these posts are no longer required.

### **Implementation of International Public Sector Accounting Standards (IPSAS)**

The Peacekeeping Operations is following the same time-frame for the implementation of IPSAS as the United Nations Secretariat. However, given the nature and scale of its activities at Headquarters and in the missions, the Board is of the view that the Administration should give due consideration to the distinctive needs of the peacekeeping operations so as to be in a better position to successfully implement IPSAS. The Board

will be reviewing and reporting on the progress towards IPSAS implementation by the main United Nations entities in a separate report to the General Assembly in the fall of this year.

Mr. Chairman and Distinguished Members:

The Board is also pleased to report that this audit has already yielded some good results:

- The Administration has cancelled more than \$26 million in ULOs in concerned missions;
- Some vacant posts have since been abolished. In particular, UNIFIL has abolished 104 vacant posts;
- UNAMID has reduced its air operations by two aircraft after taking into account the under-utilization of aircraft. Some vehicles were also reduced in its budget for 2011/12 due mainly to the donated vehicles by African Mission in Sudan; and
- As recommended by the Board, the Administration requested OIOS to investigate a high risk procurement case in UNAMID.

Mr. Chairman and Distinguished Members:

This concludes our brief introduction of the Board's report on Peacekeeping Operations for 2009/10. We thank you for affording us the opportunity once again to present to you the Board's report on peacekeeping operations. My colleagues and I will endeavor, as

always, to answer any questions you may have during the informal session of the Committee.

Thank you.

Liu Yu  
Chairman of the Audit Operation Committee  
2 May 2011