



**Opening statement to the Fifth Committee on the Report of the Board of Auditors
on the United Nations Peacekeeping Operations
A/68/5 (Vol. II)**

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Chair of the Audit Operations Committee**

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Dear Chair,

Distinguished delegates,

On behalf of the Chair, Mr. Amyas Morse, and the other members of the Board of Auditors, Mr. Liu Jiayi and Mr. Ludovick Utouh, I have the honor to present the Board's report on peacekeeping operations for the financial year ended 30 June 2013.

The peacekeeping report represents a joint effort by the Board, with China as the lead auditor for peacekeeping operations, responsible for the audit of Headquarters, the UN Logistics Base and six missions; and with the UK auditing six missions and Tanzania four missions. The Board continued to meet the requirements of General Assembly resolution A/RES/64/268, submitting the report on 17 January 2014 to facilitate the timely preparation of the Secretary-General's response.

Audit Opinion

For the financial period ending 30 June 2013 the Board issued an unqualified opinion. This is the last financial period in which the peacekeeping statements will be prepared under the United Nations system accounting standards (UNSAS).

Key findings in the long form report

The Board throughout the report recognises the progress made by the Administration to address its previous concerns and to enhance financial control and management. For example, while work is ongoing and risks remain, and the outcome cannot be guaranteed, there is increasing confidence about the ability of the Administration to produce first time IPSAS-compliant financial statements. This reflects the progress made on preparing opening balances, continuing improvements in the verification and valuation of assets, enhanced project progress monitoring, and enhanced accountability for implementation at mission level.

Although the benefits have yet to be objectively measured, we also note the progress made in embedding the Global Field Support Strategy, with service centre functions starting to go live, the Standardized Funding Model being refined based on lessons from the initial application in UNMISS, and a number of modular service packages being constructed and deployed to MINUSMA.

While acknowledging progress, we continue to note issues in the management of peacekeeping operations that we consider it important to draw to your attention.

Asset management

There have been improvements in asset management, partially driven by the implementation of more stringent accounting standards (IPSAS). The Board notes improvements in the levels of both physical verification rates, and the value of 'not yet found' assets. There has also been concerted action to reduce the incidence of assets being procured that are already held in stock and to address the related issue of long term

unused assets held in stock; but these areas remain problematic. While more can be done with existing systems, a long term solution will require skillfully managed and integrated supply management, linking acquisition, logistics and warehousing, and utilising the new information and tools becoming available under IPSAS and the UN's new enterprise resource planning system (Umoja).

Acquisition planning

For the year ended 30 June 2013, the total value of procurement by peacekeeping missions was \$2.17 billion. The Board considers there are considerable opportunities to leverage the buying power of the UN to achieve better scale economies and other savings through enhanced development and execution of strategic and operational acquisition plans (paragraphs 32 to 37). For example, by addressing the need for:

- a comprehensive strategy to support consolidated procurement;
- reliable and accurate procurement information, for example, by addressing inconsistent use of commodity coding and item descriptions in requisitions;
- a standard operating procedure to guide acquisition planning at missions and Headquarters.

Regional Procurement Office

Two of the main objectives of the Regional Procurement Office (RPO) pilot project, established in Entebbe by Procurement Division in July 2010, are to improve cross-cutting regional procurement (or 'joint acquisition plan' procurement); and provide enhanced capability to assist mission level procurement, including those in start-up.

Progress on joint acquisition plan procurement has been limited because the joint acquisition plan procurement contracts are not compulsory; and we note that some quoted prices are less competitive than the contracts signed locally by missions. There is also a lack of clarity on the types of procurement that should be performed by either missions or the RPO. This has weakened the internal control environment, undermined current procurement delegations of authority, and consequently blurred accountability for procurement activities. These issues need to be resolved before a fair assessment can be made of the cost-effectiveness of the RPO pilot.

Budget formulation and management

The budget is a fundamentally important financial management tool. It should be a cornerstone of financial control and accountability, and based on rigorous and transparent budget formulation and management processes. The Board notes the improvements being made in the peacekeeping budget processes (for example, historical trends are now taken into account when estimating the vacancy rate); but also continues to highlight weaknesses both across and within missions which could lead to inaccurate estimations of future costs, including:

- inconsistent application of budgeting methodologies and assumptions (for example, on generator fuel consumption);
- a lack of full consideration of the “unaccepted factor” in the budgeting of Contingent Owned Equipment self-sustainment equipment;
- insufficient consideration of both existing or foreseeable factors plus historical trends at some missions.

In separate sections of the report the Board highlights the need for strengthened managerial oversight of budgets, for example: in construction projects; and the need for improved evaluation of outturn versus budgets to identify the scope for improved cost-effectiveness in air operations. More generally we highlight the need to strengthen the processes for budget review across missions and at HQ level.

Global Field Support Strategy

The Global Field Support Strategy (GFSS) is a major business transformation aimed at expediting and improving service delivery to field missions. The Board continued to review the current status of GFSS implementation and notes, for example:

- insufficient planning and arrangements for the transfer of functions and posts resulting in functions not being properly performed;
- the need to urgently improve the quality of service delivery by the Regional Service Centre;
- an 18 month delay to the modularisation project owing to significant delays in the finalization of the Statement of Work for enabling capacity and the associated procurement strategy.

Four years into a major transformation of this nature the Administration should be able to demonstrate the improvements that are being achieved. But this will require the Administration to: further define the end state vision for each pillar of the strategy; enhance performance management by establishing target and baselines for the Strategic Key Performance Indicators; and establish a benefits management strategy for the GFSS as a whole.

During 2012/13, as part of the Global Field Support Strategy, the Administration initiated the Supply Chain Management (SCM) project to address longstanding issues such as unused assets. As at October 2013, the project’s end state vision and implementation plan, governance, cost-benefit analysis, and progress monitoring arrangements remained undeveloped. In addition, all of the initial implementation activities were delayed when compared to the initial project timelines. The project needs to be urgently progressed as it holds the potential to address strategic issues in peacekeeping supply management that the Board has been highlighting in recent years.

Overall conclusion

Finally Chair, the Board in its overall conclusion on page 19 of the report highlights that with the progress on the Global Field Support Strategy, IPSAS and the new UN enterprise resource planning system there is a major opportunity emerging to improve the way in which peacekeeping operations are managed and backstopped and to deliver improved value for money. To aid accountability and delivery the Board considers that the Administration needs to more clearly elaborate the new peacekeeping service delivery model that the business transformations and other initiatives will deliver and support, and to establish how the benefits will be measured and demonstrated.

Chair

This concludes my brief introduction on this Board report. As ever, my Audit Operations Committee colleagues and I will endeavor to answer any questions you may have during the informal session of the Committee.