Opening statement to the Fifth Committee on the Report of the Board of Auditors on the United Nations Peacekeeping Operations
A/67/5 (Vol. II)

Hugh O'Farrell
Director of External Audit (UK)
Chair of the Audit Operations Committee

Monday 6 May 2013

Dear Chairman,

Distinguished delegates,

On behalf of the Chairman, 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 2012.

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, UN Logistics Base and five 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 2013 to facilitate the Secretary-General's response in a timely manner.

Audit Opinion

For the financial period ending 30 June 2012 the Board issued an unqualified audit opinion. The Board included an emphasis of matter this year drawing attention to a new note 14 that discloses for the first time some $889 million of incurred costs for the construction of buildings and structures. While satisfied that the balance is fairly stated, the Board notes in its long form report that the level of detailed accounting records for such assets need to be improved if the UN is to meet the stricter requirements under the International Public Sector Accounting Standards from 1 July 2013 onwards.

Key findings in the long form report

The Board recognises the steps taken by the Administration to address concerns highlighted in its previous reports and to enhance financial control and management. For example, compared to the previous year, the Board notes the value of assets 'not found yet' reduced from some $41 million to $25 million and the assets pending write-off over one year reduced from $31 million to $23 million. The Board, however, continued to note a number of deficiencies in the management of peacekeeping operations that we consider it important to draw to your attention.

Asset management

The Board identified that as at 30 June 2012, $83.55 million of Non-Expendable Property had been unused for more than one year. Of this total, $9.97 million was in bad condition or pending write-off and disposal, $5.53 million had passed life expectancies, and $13.53 million had not been used for at least three years. The Board considers unused Non-Expendable Property continues to represent a significant risk of loss or wastage, and is indicative of excessive procurement.

The Board noted weaknesses in the management of asset disposal at liquidated missions. For example, 97 per cent of IT property transferred from UNMIS to UNISFA was obsolete and recommended for write-off indicating insufficient and unreliable verification of the condition of assets prior to packing. In addition, we noted a discrepancy of $19.27

million of expendable property between the records held at UNMIS and those at receiving missions (UNMISS and UNISFA). Owing to a lack of detailed and complete packing lists, it was difficult to assign accountability and responsibility for the discrepancy.

Procurement management

The Board examined the management of acquisition planning, solicitation, contract management and vendor management and found the following deficiencies:

(i) Inadequate consideration of available stock before raising requisitions, leading to potential nugatory expenditure, increased risk of wastage, and unnecessary costs such as for increased storage and security overheads;

(ii) Lack of coordination between and across missions procuring the same or similar products, leading to missed opportunities for scale economies;

(iii) Lack of clear criteria for vendor invitations and invitations to bid to unregistered vendors impairing the fairness and transparency of procurement actions;

(iv) Weaknesses in contract management, such as providing contract extensions to poorly performing vendors.

Budget management

In the period under review, the Board examined the budget formulation process for aviation, personnel, contingent owned equipment, vehicles, and freight costs, and identified the following deficiencies:

(i) Missions did not consider a number of key factors when formulating budgets. For example, the current budget assumption for contingent owned equipment is that all will pass inspection and be accepted by the UN. But in practice a considerable proportion of contingent owned equipment does not pass inspection, leading to considerable variances between budgeted and actual expenditure;

(ii) Historical trends for key budget assumptions are not duly considered. For example, the historical delayed deployment factor trend was not fully considered in formulating the budgets for Formed Polices Units or National Professional Officers at UNAMID, UNMIT, UNMIL and UNSOA: there were also insufficient justifications for projections of future deployment.

In addition, the Board noted that the UNMISS budget of 2011/12 was formulated through the standardized funding model. The Standardized Funding Model (SFM), one of the pillars of the Global Field Support Strategy, aims to streamline the budget process and enable staff in new missions to focus on operational planning and execution, rather than on detailed funding development. The Board found weaknesses in both the model and its application at UNMISS. For example, a lack of flexibility, insufficient justifications for some budget assumptions, and non-consideration of the existing resources in the Mission. The Board estimates that the budget for UNMISS could have been overestimated by some $102 million.

Overall, based on its sample findings for only, the Board estimates that there could have been a potential overestimation of $246 million in the 2011/12 budget for peacekeeping operations.

The Global Field Support Strategy

The Global Field Support Strategy (GFSS) is an important business transformation. Successful delivery of the strategy is reliant on rigorous project management, effective governance, and benefits management. The Board, found deficiencies in relation to these elements:

(i) Despite being in its third year of implementation, there is a lack of a sufficiently detailed project implementation plan and comprehensive timeline for each pillar of the GFSS, contributing to delays in GFSS implementation. In addition, the Board noted insufficient risk management, and a lack of a cost capturing and reporting mechanism.

(ii) Ineffective project governance at both UNHQ and pillar levels. For example, the meetings of the GFSS Steering Committee focused on updates on progress, rather than engaging on the key risks to delivery and effective mitigating actions.

(iii) There is no benefits realization plan for the strategy. As a result, the Board has seen little evidence that the details of the envisaged benefits are managed or tracked in an effective or integrated manner. Meanwhile, the tracking of both qualitative and quantitative benefits is insufficient. For example, out of the envisaged savings of $96.64 million (A/64/633 and A/66/591), $49.4 million had not been tracked; and a reported saving of $61.3 million from reduction of aircraft could not be substantiated.

The Board's report also covers other areas requiring improvement action by the Administration, including preparations for IPSAS implementation, human resource management, vehicle fleet management, rations management, and travel management.

Chairman,

This concludes my brief introduction. 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.