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**Programme budget for the biennium 2014-2015**

### **Strengthening property management at the United Nations Secretariat**

#### **Report of the Advisory Committee on Administrative and Budgetary Questions**

#### **I. Introduction**

1. The Advisory Committee on Administrative and Budgetary Questions considered the report of the Secretary-General on strengthening property management at the United Nations Secretariat ([A/69/400](#)). During its consideration of the report, the Committee met representatives of the Secretary-General, who provided additional information and clarification, concluding with written responses received on 14 October 2014.

2. The Advisory Committee recalls that the General Assembly, in its resolution 60/283, approved the adoption by the United Nations of the International Public Sector Accounting Standards (IPSAS) and decided to replace the Integrated Management Information System with a next-generation enterprise resource planning system (see para. 7 below). The Secretary-General indicates that the implementation of these administrative reform initiatives has increased the scope and complexity of financial reporting, record-keeping and management of the diverse portfolio of assets held by the United Nations and that the oversight bodies have voiced concern regarding the need to strengthen the management of United Nations property (see paras. 5 and 6 below).

3. The Advisory Committee also recalls that, under the United Nations system accounting standards, property was not capitalized or subject to depreciation, the total value of non-expendable property was disclosed only in the notes to the financial statements at the acquisition cost, self-constructed assets were generally not tracked, major improvements to assets were not capitalized and the Organization had only three categories of non-expendable property (defined in paragraph 2.2 (a) of administrative instruction [ST/AI/2003/5](#)). With the introduction of IPSAS, property, plant and equipment will be capitalized and depreciated, the notes to the financial statements will include a reconciliation of the beginning and ending



balances for property, plant and equipment, self-constructed assets will be tracked and capitalized and major improvements to property, plant and equipment will be capitalized.

4. In his fourth progress report on the adoption of IPSAS, the Secretary-General indicated that IPSAS required a strong asset management function for improved financial reporting and that, under the United Nations system accounting standards, several types of assets, including property, plant and equipment, inventory and intangibles, had either very limited or no reporting requirements. He noted that the more detailed and stringent reporting requirements under IPSAS made it imperative for all offices to gather and maintain detailed asset accounting data, including historical costs for property, plant and equipment and inventory, in preparation for obtaining opening balances under IPSAS ([A/66/379](#), para. 47). In that connection, the Advisory Committee was informed during its consideration of the seventh progress report on the adoption of IPSAS ([A/69/367](#)) that the opening balances for assets and liabilities for the first IPSAS-compliant financial statements for peacekeeping operations had been finalized and submitted to the Board of Auditors in April 2014 and that the opening balances for the first IPSAS-compliant financial statements for other operations of the United Nations (under volume I of the financial statements) were due for completion and submission to the Board by 30 September 2014.

## II. Background

### Findings and recommendations of the oversight bodies

5. The Advisory Committee recalls that weaknesses in the management of property at the United Nations have been highlighted in the reports of the Board of Auditors and its own reports, especially those pertaining to peacekeeping. In its reports [A/61/5 \(Vol. I\)](#) and [A/63/5 \(Vol. I\)](#), the Board pointed out the lack of property records, physical counts and reconciliation of beginning and ending balances for non-expendable property. As to land and buildings, the Board, in its report [A/67/5 \(Vol. I\)](#) and Corr.1-2, noted the lack of records to support the valuation of land and buildings across the entire United Nations estate. Regarding peacekeeping, the Board, in its report [A/67/5 \(Vol. II\)](#), observed some deficiencies in asset management, in particular the absence of a unified and standard mechanism for recording the cost of self-constructed buildings, insufficient assurance over the value of part of non-expendable property and expendable property, a high risk of loss/wastage from unused non-expendable property and deficiencies in asset disposal activities at liquidated missions.

6. In its report on cross-cutting issues relating to peacekeeping operations, the Advisory Committee, while noting the initiatives taken with regard to property management, expressed the view that further improvements were still needed ([A/66/718](#), para. 95) and, in later comments on a report of the Board of Auditors on peacekeeping operations, expressed concern at the deficiencies observed by the Board and urged the Secretary-General to intensify his efforts in devising measures to address them ([A/67/782](#), para. 14).

### **Interdepartmental working group on property management**

7. The Secretary-General indicates that in 2008 the Assistant Secretary-General for Central Support Services established an interdepartmental working group on property management to review policy, processes and systems relating to property management in the light of the adoption by the General Assembly of resolution 60/283 to implement IPSAS. He also indicates that the working group engaged a team of consultants who examined governance, policy, processes and systems relating to the management of property and were tasked to develop a road map for property management in anticipation of the adoption of IPSAS and the implementation of the Umoja enterprise resource planning system (see para. 2 above). He further indicates that a first report of the consultants was issued in December 2011, covering Headquarters property management, and a second report was issued in August 2012, covering offices away from Headquarters, regional commissions and field missions ([A/69/400](#), paras. 10 and 12).

8. Upon enquiry, the Advisory Committee was informed that the consultancy had been undertaken based on the recognition that there were aspects of property management that needed to be corrected in order to create the environment necessary to collect, cleanse and enrich property data and develop the policies and processes required to implement IPSAS. The Committee was also informed that the consultancy had been funded from the approved resources for consultancy services under section 29D, Office of Central Support Services, of the programme budget for the biennium 2012-2013.

9. In paragraphs 14 and 15 of his report, the Secretary-General summarizes the key findings of the consultants, which highlighted the fragmented nature of property management and the lack of a single property management framework across the Secretariat. They included a lack of uniform policy, inconsistent application of existing policies and processes, a lack of training on property management and shortcomings on inventory controls at Headquarters, offices away from Headquarters and regional commissions. In addition, the existing systems were found to be inadequate to support property management processes and the collection of data for IPSAS.

10. The Secretary-General indicates in paragraph 16 of his report that, having compared existing property management processes and IPSAS readiness at Headquarters, offices away from Headquarters and peacekeeping operations with industry benchmarks, the key recommendation of the consultants was that a central property management unit should be created, with responsibilities across the Secretariat. The unit would be tasked with creating a single property management framework and programme for the entire Secretariat.

### **Property holdings of the United Nations**

11. Upon enquiry as to the value of the property holdings of the United Nations, the Advisory Committee was informed that the total net book value of property, plant and equipment, including assets under construction, was estimated at \$4.1 billion. That estimate comprised \$2.7 billion in unaudited opening balances for property, plant and equipment as at 1 January 2014 for United Nations operations listed under volume I of the financial statements of the Organization and \$1.4 billion in unaudited closing balances for property, plant and equipment as at 30 June 2014 for volume II (peacekeeping operations). It did not include property

items valued below the capitalization thresholds or heritage assets such as works of art. As to inventory, the Committee was informed that the total value was estimated at \$393.3 million, comprising \$4.2 million in unaudited opening balances as at 1 January 2014 for United Nations operations listed under volume I of the financial statements and \$389.1 million in unaudited closing balances as at 30 June 2014 under volume II (peacekeeping operations).

12. During its consideration of the report of the Secretary-General, the Advisory Committee requested quantitative information on the Organization's assets such as land and buildings, furniture and equipment, aircraft, ships, motor vehicles and works of art. It also requested statistical trends on whether the quantity and value of assets were increasing or decreasing from year to year. Furthermore, it requested an explanation of how the adequacy of the assets held by the Organization could be assessed. **The Advisory Committee, did not, however, receive responses to its requests. The Committee trusts that the responses will be provided in future reports to the General Assembly.**

13. **The Advisory Committee is of the view that a more detailed presentation of the information requested would have facilitated a more meaningful analysis of the property, plant and equipment holdings of the United Nations. Considering that the first IPSAS-compliant financial statements for peacekeeping operations have been produced and that the first IPSAS-compliant opening balances for other operations of the Secretariat have been established, the Committee is of the view that such detailed information should be easily available and presented in future reports to the General Assembly.**

### **III. Establishment of a new property management framework for the Secretariat**

14. In paragraph 17 of his report, the Secretary-General lists the key programme tasks determined by the interdepartmental working group, based on the recommendation of the consultants, to establish a comprehensive, long-term property management framework for the Organization. In paragraph 18, he lists the following critical activities identified by the group as immediate requirements for the successful implementation of IPSAS and Umoja:

- (a) Introducing data capture and the tracking of land, buildings (including property, plant and equipment), leases and leasehold improvements, infrastructure and assets in the course of construction;
- (b) Developing high-level guidance on the valuation of the above-listed assets for IPSAS;
- (c) Ensuring data readiness for IPSAS opening balances and Umoja.

15. The Secretary-General indicates in paragraph 21 that, to advance its programme of work, the interdepartmental working group established three subgroups with representation from various offices to deal with the specific areas of regulatory matters, real estate and equipment and inventory.

16. In paragraphs 27 to 35 of his report, the Secretary-General discusses action taken to establish a new property management framework at the Secretariat. They include:

(a) Developing a revised harmonized interim administrative instruction on property management, which is intended to replace the existing administrative instructions ([ST/AI/2003/5](#), which applies to Headquarters and offices away from Headquarters, and [ST/AI/374](#), which applies to field missions). The interim administrative instruction is compliant with IPSAS and will be updated when Umoja is fully implemented;

(b) Revising and extending the delegation of authority for property management to reflect IPSAS requirements for property asset recognition and de-recognition, and for write-offs and write-downs in cases of impairment;

(c) Creating generic job profiles for asset management officers at the P-3 and P-4 levels, whose IPSAS-related asset management and accounting functions constitute a new area of expertise for the Secretariat;

(d) Enhancing the asset management functionality of the Galileo Inventory Management System to provide additional asset accounting capabilities and an IPSAS-compliant method of calculating depreciation;<sup>1</sup>

(e) Collecting, cleansing and codifying data by field missions on self-constructed assets, leases and donated right-to-use arrangements for the preparation of opening balances for IPSAS-compliant financial statements;

(f) For field missions, establishing and regularly monitoring key performance indicators for IPSAS compliance in relation to critical property management activities such as the physical verification of assets, the review and reconciliation of asset discrepancies and write-offs.

17. In section V of his report, the Secretary-General discusses future action to be taken following the development of the elements of the new property management framework, such as revised policies and procedures, training programmes and key performance indicators. That action, which will be taken by the Property Management Unit in the Office of Central Support Services, will include:

(a) Providing implementation guidance, establishing property data governance and maintenance and monitoring compliance;

(b) Establishing a performance management programme, with Secretariat-wide key performance indicators and compliance monitoring to ensure consistency;

(c) Implementing a training and certification programme for all staff who have responsibilities relating to property management;

(d) Managing and undertaking long-term maintenance of Umoja master data on an integrated platform that will record and track the complete life cycle of property throughout the Secretariat in a standardized manner from requisition to disposal.

18. In paragraphs 36 and 38 of his report, the Secretary-General indicates that, owing to the delays in the implementation of Umoja, it will not be possible to begin developing the full, Secretariat-wide key performance indicators programme until 2016.

<sup>1</sup> The comments of the Advisory Committee on the enhancement of legacy systems for IPSAS compliance are contained in paragraph 16 of document [A/67/564](#).

#### **IV. Resource capacity for property management in the Secretariat**

19. The Secretary-General indicates that, in line with industry best practices, the new property management requirements involve the centralization of policy and processes, while the responsibility for many of the functions will remain fully delegated to the heads of departments, office away from Headquarters and the directors of field missions. He lays out the respective functions of the Secretariat's property management resources in paragraphs 45 to 50 of his report. In figure 1, he lays out the current structure of property management at Headquarters.

20. The Secretary-General indicates that the responsibilities of the central Property Management Unit in the Office of Central Support Services will be to develop and implement the performance and compliance management programme, with Secretariat-wide key performance indicators; to update and maintain the elements of the property management framework, namely property-related policy, delegations of authority, process guidance and key performance indicators; and to provide training to ensure that the operational needs of the Organization are met. In addition, he indicates that the Unit will monitor compliance against key performance indicators and provide oversight with regard to all Headquarters departments and offices.

21. As to the Property Management Unit in the Logistics Support Division of the Department of Field Support, the Secretary-General indicates that its responsibilities are stipulated in his bulletin [ST/SGB/2010/2](#). They include providing policy and procedural advice to field operations and management in the Department on compliance with the United Nations rules and regulations on property management issues; monitoring and analysing inventory reports from field operations to determine trends in inventory management; collaborating with user groups to develop automation tools to accelerate the verification of assets and streamline the write-off process; supporting field operations by developing training programmes and materials; and developing and setting global performance benchmarks with key performance indicators for field operations. He also explains that the Unit acts as a focal point between the central Property Management Unit in the Office of Central Support Services and the field missions to ensure the consistent application and implementation of the property management framework across property owned by the Organization.

22. Coming to the interim Property Management Unit in the Office of Central Support Services, the Secretary-General indicates in paragraph 25 of his report that it was established, through the redeployment of existing resources, to organize and coordinate the work programmes of the subgroups (see para. 15 above). The Unit consisted of a chief (P-4), a real estate professional (P-3) and a property management professional (P-3), who were assisted by two General Service staff members.

23. Upon enquiry, the Advisory Committee was informed that the Property Management Unit had been established in 2012 through a combination of resources. Non-post resources had been made available through savings under utilities within section 29D, Office of Central Support Services, of the programme budget for the biennium 2012-2013 to provide for general temporary assistance positions. In addition to the non-post resources, a vacant post had been temporarily used to

provide interim capacity for the Unit to support data readiness activities for IPSAS and Umoja. At the time of the report of the Secretary-General, two established posts — an Associate Property Management Officer (P-2) and a Property Management Assistant (General Service (Other level)) — from the former Property Management and Inventory Control Unit had been added to the Unit.

24. The Secretary-General indicates in paragraph 55 of his report that similar ad hoc arrangements are in place for property management at offices away from Headquarters, regional commissions and field missions. Upon enquiry, the Advisory Committee was informed that, for those offices, short-term resources had been made available on a case-by-case basis from funds for administrative support to extrabudgetary activities to create interim capacity for the implementation of IPSAS-related activities. Such activities included the preparation of property data and data collection, cleansing and enriching. In that connection, the Committee was informed that the following general temporary assistance positions had been provided: at the United Nations Office at Vienna, 1 P-4 and 1 General Service (Other level); at the United Nations Office at Nairobi, 1 P-3, 1 General Service (Principal level) and 1 General Service (Other level); at the United Nations Office at Geneva, 2 P-3; at the Economic Commission for Africa, 1 P-3; at the Economic and Social Commission for Western Asia, 1 P-3; at the Economic and Social Commission for Asia and the Pacific, 1 P-3; and at the Economic Commission for Latin America and the Caribbean, 1 P-3.

25. The Secretary-General indicates that those ad hoc arrangements have proved problematic and are not sustainable owing to the temporary nature of the employment contracts and the associated high staff turnover. In that regard, he stresses the importance of establishing formal staffing arrangements for property management in the long term. Upon enquiry, the Advisory Committee was informed that the staffing resources described in paragraph 50 and identified in figure 1 of the report of the Secretary-General were required to meet the new responsibilities of asset accounting and property management, which had been created as a result of the adoption of IPSAS. The Committee was also informed that the Secretary-General intended to request additional staffing resources for property management in future budget proposals in order to manage activities relating to asset accounting and property management.

**26. The Advisory Committee reiterates the need for the Secretary-General to fill vacant posts expeditiously and that posts should not be kept vacant in order to achieve budgetary savings. In this regard, the Committee calls for greater discipline over the use of vacant posts and for the Secretary-General to ensure that posts are either utilized for the purposes for which they were intended or proposed for abolishment. Furthermore, the Committee reiterates its recommendation that the General Assembly request the Secretary-General to apply this uniformly and without exception to all Secretariat departments and offices (A/68/7, para. 109).**

**27. In addition, the Advisory Committee recognizes the importance of more efficient and effective property management operations across the Secretariat, but maintains the view that, should the Secretary-General wish to take action to strengthen property management at the Secretariat, including making changes to its structure, he should submit his proposal to the General Assembly for consideration, with a clear business case, including full justification for any**

new staffing requirements. Furthermore, the Committee notes that the Secretary-General will be required to report to the Assembly on the quantitative and qualitative benefits accruing from the implementation of the benefits realization plans of IPSAS (see [A/69/367](#), paras. 62-66) and Umoja (see [A/69/385](#), paras. 58-62).

## **V. Action to be taken by the General Assembly**

28. Subject to its observations and recommendations contained in the preceding paragraphs, the Advisory Committee recommends that the General Assembly take note of the report of the Secretary-General.

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