



General Assembly

Distr.: General
15 March 2000

Original: English

Fifty-fourth session

Agenda item 117

Financial reports and audited financial statements and Reports of the Board of Auditors

Financial reports and audited financial statements and Reports of the Board of Auditors

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered, in accordance with financial regulation 12.11, the report of the Board of Auditors on the financial report and audited financial statements for the United Nations peacekeeping operations for the 12-month period ending 30 June 1999.¹ The Committee had also before it a report of the Secretary-General on the implementation of the recommendations of the Board of Auditors concerning United Nations peacekeeping operations for the period ending 30 June 1999 (A/54/748).
2. The Advisory Committee recalls its opinion reflected in its report on United Nations peacekeeping operations (A/53/940, para. 2) that it would be useful for the Committee to have the report of the Board of Auditors available to it by the beginning of February so that the Board's findings and recommendations could be taken into account when the Committee considers the budgets for peacekeeping operations. The Committee is pleased to note that the report of the Board of Auditors, albeit in an advance form and in one language only, was submitted to the Committee at the beginning of its current session.
3. **The Advisory Committee welcomes the fact that the Administration has implemented all the recommendations of the Board of Auditors for the 18-month period ending 30 June 1997² and the Board confirms in paragraph 9 of its report³ that there are no outstanding matters.**
4. The Advisory Committee notes from the summary of the Board's findings that in addition to the audit of peacekeeping operations at Headquarters, it has conducted a total of 27 audits, including 6 special audits requested by the General Assembly. In respect of the latter audits, the Committee requests that the Board of Auditors monitor this aspect of its work on a regular basis. The Board should report to the Assembly through the Advisory Committee, as appropriate, on the implications of such ad hoc requests for special audits on its ability to set audit priorities, including having sufficient lead time for the preparation of audit reports.
5. Financial issues are covered in paragraphs 14 to 53 of the Board's report.³ With regard to the United Nations accounting standards (para. 14), the Advisory Committee recalls that in paragraph 18 of its report contained in document A/53/513, it expressed its understanding that steps were under way in the Consultative Committee on Administrative Questions (Financial and Budgetary Questions) (CCAQ) (FB) to initiate a review of the standards. **The Advisory**



Committee requests that it be provided with the results of the review.

6. With regard to inter-office vouchers (see para. 18 of the Board's report), the Advisory Committee notes and welcomes the reduction in inter-office transactions for peacekeeping operations. It is recalled that the Committee called for a system-wide approach on the issue of more efficient methods of clearing inter-office vouchers, including the use of new technology (see A/53/940, para. 5). The Committee was informed, upon enquiry, that CCAQ (FB) had discussed this issue at its meeting in August/September 1999 and that further discussions would be held in the CCAQ Working Party meeting and the formal CCAQ meeting in 2000; in the meantime, the Secretariat is initiating pilot projects on reducing the amount of supporting documentation required for the processing of inter-office vouchers between the various offices, including offices away from Headquarters. Moreover, Headquarters is also in the process of implementing a scanning project whereby supporting documents are scanned at the time of processing and can then be sent in an electronic format to various offices to facilitate the process.

7. The Advisory Committee was also informed, upon enquiry, that the Secretariat's practice regarding the reimbursement of troop-contributing countries for personnel and equipment is as follows:

(a) After taking into account the immediate requirement of three to four months' operating cash for each of the active peacekeeping missions, and based on accumulated available cash in each of their accounts, the Secretariat in recent years has, on average, made progress payments to troop-contributing countries for troop costs four times a year and for contingent-owned equipment twice a year. Such progress payments are made on an equal prorated basis to all troop-contributing countries. Where significant arrearage payments are received in the course of the year, additional progress payments are also made in respect of the missions to which such arrearage payments are applied. In accordance also with the recommendations of the Board of Auditors, progress payments are made on the basis of claims that have been certified;

(b) Death and disability claims are processed on a case-by-case basis and are in almost all cases paid when they are certified;

(c) Letters of assist are also processed on a case-by-case basis and, subject to availability of cash, are also paid when they are certified.

8. As indicated by the Advisory Committee, the non-recognition of claims of troop-contributing countries is a serious deficiency that needs urgent attention by the Administration (A/53/940, para. 6). As can be seen from paragraphs 25 to 30 of the Board's report, the problem persists. **The Committee welcomes the measures indicated in the report of the Secretary-General on the implementation of the recommendations of the Board of Auditors (A/54/748, paras. 6-8).** The Committee also understands that this problem would be minimized by the full implementation of the new contingent-owned equipment reimbursement arrangements. The Committee sought additional information on the treatment in the accounts of the \$149 million referred to in paragraph 26 of the report of the Board of Auditors. The representatives of the Secretary-General clarified that a report on this issue would be submitted to the General Assembly in due course. **The Committee requests that in his report the Secretary-General clearly explain the practice of the United Nations regarding accounts payable and contingent liabilities. The Committee expects that this report will be available as soon as possible.**

9. The Advisory Committee welcomes the fact that measures were introduced, effective 1 July 1999, to enhance transparency in the recording of information on valid obligation documents to facilitate more effective monitoring of unliquidated obligations (see para. 34 of the report of the Board of Auditors). The Committee stresses in this connection the importance of the timely settlement of claims with Governments participating in United Nations peacekeeping operations.

10. The Advisory Committee notes with concern the large overdue amounts related to staff and non-staff activities (see *ibid.*, paras. 40-42). With regard to accounts receivable from staff, the Board identified the cause of the overdue accounts as management's failure to enforce the recovery policy, which requires that telephone and liberty mileage charges be deducted at source from the mission subsistence allowance or salary of the staff members concerned. The Committee is also concerned that accounts receivable remained outstanding in some cases for a period of up to three years. The Committee notes from paragraph 44 of the

Board's report that the Administration has recently implemented procedures in the missions to ensure recovery of accounts receivable from personnel prior to their departure from the missions. **Nevertheless, the Committee is of the view that urgent measures should be taken to significantly reduce both the overdue amounts and the time period for which they remain outstanding. The Committee requests the Board to follow up on this matter in its next audit.**

11. The Advisory Committee sought clarification in respect of the amount of \$11.7 million advanced to a troop-contributing country referred to in paragraph 42 of the Board's report and was informed that the Secretariat had received invoices totalling \$7.8 million and was trying to match them against United Nations Operation in Somalia receipt and inspection reports. The Secretariat has also been informed by the troop-contributing country that the balance of the invoices would be submitted in due course; however, they also advised that this could take up to two years.

12. The Board has devoted considerable space in its report on the subject of procurement and asset management in all their aspects (see paras. 54-179 of the report). The Board has followed up on its previous work and has also responded to requests from the General Assembly for special audits of the management of peacekeeping liquidation and asset disposal activities, including the write-off of non-expendable property.

13. The Advisory Committee was informed, upon enquiry, that the value of peacekeeping inventory was \$392.5 million as at 30 June 1999. **The Committee is of the view that little appreciable progress has been made to improve the efficiency of inventory management in the United Nations peacekeeping operations.** In its report on United Nations peacekeeping operations (A/53/940, para. 7), the Committee pointed out that poor inventory management often led to excessive requests for new acquisitions. This view was later confirmed by the Office of Internal Oversight Services, which concluded that recent audits had found that excessive expendable inventories at the time of mission liquidation was a recurring problem that needed to be addressed by the Department of Peacekeeping Operations (A/54/394, para. 27). In paragraphs 110 to 167 of its report, the Board identified a number of serious weaknesses related in particular to the proper receipt, recording and

effective control of assets in mission operations. The Board also noted instances of the lack of essential records for the purpose of conducting the audit.

14. **The Advisory Committee is not satisfied with the action the Administration has taken so far concerning the audit finding in paragraph 124 of the Board's report regarding the loss of laptop computers in the United Nations Verification Mission in Guatemala. In view of the Board's conclusion in paragraph 125 of the report, the Committee requests that the circumstances leading to the loss of the laptops be fully investigated.**

15. **The Advisory Committee welcomes the progress made so far with regard to procurement for peacekeeping operations and notes that planning and the use of systems contracts for the procurement of a number of bulk items has led to savings.** The Committee exchanged views with the auditors and with representatives of the Secretary-General on the recommendations contained in paragraphs 57 and 155 of the audit report. On the basis of those exchanges, **the Committee is of the opinion that the cost-effectiveness of standardization should be carefully analysed for those items such as communication and data-processing assets.**

16. The audit has nevertheless pointed out a number of weaknesses in the procurement process that need to be addressed. For example, the receiving, inspecting and reporting processes need considerable improvement. The representatives of the Secretary-General informed the Advisory Committee that guidelines were under preparation to guide the Secretariat when procuring goods on a free-on-board basis (see paras. 89-95 of the Board's report). **The Committee is of the view that purchase contracts should include certain clauses that could protect the United Nations in situations where the terms of purchase contracts are not completely fulfilled by a vendor.**

17. Another serious weakness identified by the Board is that missions transfer obsolete assets among each other or send them to the United Nations Logistics Base at Brindisi, Italy; this practice could have considerable financial implications if corrective measures are not taken in due course. The Board's recommendation to this effect is contained in paragraph 162 of its report.

18. The Advisory Committee welcomes the fact that a substantial proportion of peacekeeping procurement is now done in the field, as reported in paragraph 59 of the audit report. The Committee was provided, upon request, with a chart indicating the workflow of the procurement process for peacekeeping operations (see annex).

19. In view of the considerable decentralization in peacekeeping procurement and the fourfold increase in delegated authority, from \$50,000 to \$200,000, the Advisory Committee believes that Headquarters should have an effective and efficient mechanism for monitoring procurement in the field. Meanwhile, the workload and functions of the Procurement Division, the Field Administration and Logistics Division and the relevant units of the Department of Management in the procurement process should be assessed to ensure that each is planning and performing with optimum efficiency. The use of new technology should facilitate such monitoring by Headquarters in a manner that would avoid excessive bureaucracy and paperwork. The Committee stresses also the importance of training in procurement for peacekeeping operations, especially in newly established missions.

20. The Advisory Committee notes that the Procurement Manual has been issued in one language only (English). The Committee recommends that consideration be given to issuing the Manual in other official languages of the United Nations.

21. The Advisory Committee points out that one factor that would facilitate improvement in the management of field assets is the full implementation and use of the field assets control system, which has been under implementation since 1998. The representatives of the Secretary-General informed the Committee that the system had been installed in 17 missions as at 4 February 2000. In addition, the system has been implemented to track reserve assets of the Field Administration and Logistics Division, start-up kit assets and United Nations Logistics Base assets. The Committee requests the Secretary-General to submit to the General Assembly a comprehensive report on the use of the field assets control system and the extent to which it has benefited procurement and the management of peacekeeping assets; this should be done in the context of peacekeeping budgets for the period from

1 July 2001 to 30 June 2002. The report should address the full implementation of the recommendations of the Board of Auditors, the Advisory Committee and the Office of Internal Oversight Services (in document A/53/394) on procurement and the management of peacekeeping assets. The Committee further recommends that the report address the issue of adequacy of resources devoted to peacekeeping asset management and to liquidation activities.

22. The Advisory Committee is concerned about the shortcomings identified by the audit regarding the selection and medical clearance of police monitors (see paras. 168-173 of the Board's report). In this connection, the Committee reiterates its views on the issue of selecting police monitors (see A/53/895, para. 19). In view of the increasing use of police monitors in peacekeeping operations, Headquarters should urgently review the current selection and clearance process with a view to making it more efficient and less costly. The Committee reiterates its view that countries that provide civilian police to United Nations missions should be responsible for the cost of repatriating those police monitors who do not meet United Nations standards. The Committee is also of the view that those standards should be set in such a way as to meet the specific operational needs of each particular mission.

23. The Advisory Committee supports the view of the Board of Auditors expressed in paragraph 71 of its report on the issue of procurement under exigency. The Committee points out in this connection that it has considered the report of the Secretary-General on the definition of exigency needs (A/54/650) and recommends acceptance of the new definition. Furthermore, the Committee reiterates its view that the application of exceptions to bidding on the basis of exigency should not preclude the submission of such cases to the Committee on Contracts.

24. Paragraphs 175 to 179 of the Board's report deal with cases of fraud and presumptive fraud. The Advisory Committee notes that details of the fraud case in the United Nations Mission in Bosnia and Herzegovina are contained in a report of the Office of Internal Oversight Services (A/54/683). The Committee notes with concern that this fraud went on for a period of over two years, even though there

was a resident auditor in the Mission who first confirmed the irregularities in October 1998. The Committee also notes with concern that some missions (the United Nations Mission for the Referendum in Western Sahara, the United Nations Peacekeeping Force in Cyprus, the United Nations Observer Mission in Georgia and the United Nations Preventive Deployment Force) had not responded to the Administration's request to provide details of cases of fraud or presumptive fraud during the period ending 30 June 1999.

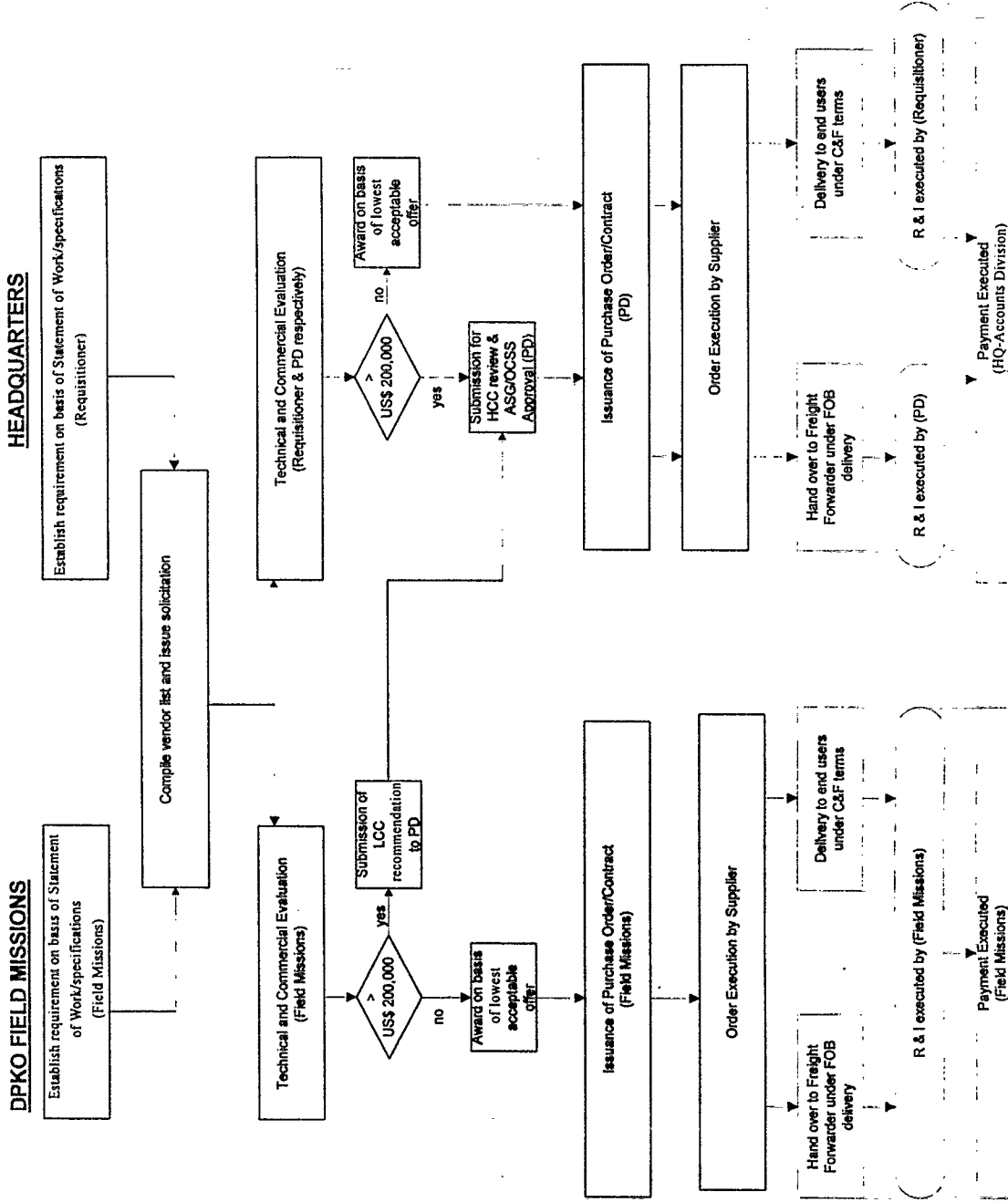
Notes

¹ *Official Records of the General Assembly, Fifty-fourth Session, Supplement No. 5 (A/54/5)*, vol. II.

² *Ibid.*, *Fifty-second Session, Supplement No. 5 (A/52/5)*, vol. II, chap. II.

³ *Ibid.*, *Fifty-fourth Session, Supplement No. 5 (A/54/5)*, vol. II, chap. II.

Workflow of the procurement process for peacekeeping operations



Abbreviations

- ASG/OCSS, Assistant Secretary-General for Central Support Services
- C&F, cost and freight
- FOB, free on board
- HCC, Headquarters Committee on Contracts
- LCC, Local Committee on Contracts
- PD, Procurement Division
- R&I, receiving and inspection