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Financial reports and audited financial statements, and reports of the Board of Auditors: United Nations peacekeeping operations

Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations

Report of the Board of Auditors on the accounts of the United Nations peacekeeping operations and report of the Secretary-General on the implementation of the recommendations of the Board of Auditors concerning United Nations peacekeeping operations for the financial period ended 30 June 2019

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Board of Auditors on the accounts of the United Nations peacekeeping operations for the financial period ended 30 June 2019 ([A/74/5 \(Vol. II\)](#)). During its consideration of the report, the Advisory Committee met with the members of the Audit Operations Committee of the Board of Auditors, who provided additional information and clarification, concluding with written responses received on 10 March 2020. The Advisory Committee also met with representatives of the Secretary-General and discussed the findings of the Board in the context of the related report of the Secretary-General on the implementation of the recommendations of the Board ([A/74/709](#)). The representatives provided additional information and clarification, concluding with written responses dated 1 April 2020.

2. The comments of the Advisory Committee on the findings of the Board of Auditors on some general matters are provided also in its report on cross-cutting issues related to the United Nations peacekeeping operations ([A/74/737](#)).¹

¹ The present report is issued pursuant to resolution [73/268 B](#), in which the General Assembly requested that the report of the Advisory Committee on the Board of Auditors be submitted separately under the relevant agenda item.



II. Observations and recommendations of the Board of Auditors for the period ended 30 June 2019

A. Main observations and recommendations

Military component

3. The Board of Auditors made a series of observations and recommendations regarding the military component and the administration of troop contributions (A/74/5 (Vol. II), chap. II, paras. 101–181). **While the Advisory Committee considers that certain observations and recommendations of the Board regarding administrative and budget-related matters should be implemented, it notes that certain observations and recommendations that relate, among others, to the assessment, tactical deployment and engagement of military units and assets are matters under the purview of Member States and relevant organs of the United Nations (see also A/73/755, para. 22).**

Human resources management

4. The Board of Auditors made a series of observations and recommendations related to human resources management. Its findings can be summarized as follows: (a) weaknesses regarding payments for residential security measures; (b) incorrect settling-in payments and weaknesses in the computation of the relocation grant; (c) payments of danger pay allowance that were not adjusted on the basis of staff absence; (d) lack of internal controls to ensure appropriate payment of dependency allowance; (e) weaknesses in the monitoring of the delegation of authority, and insufficient Umoja role provisioning in relation to the new delegation of authority; (f) staff files lacking the necessary documentation, and absence of a comprehensive electronic management system of staff files; and (g) insufficient documentation and alignment with human resources policies regarding staff selection and temporary appointments (A/74/5 (Vol. II), chap. II, paras. 57, 59, 70, 77, 83, 201, 202, 216, 217, 231, 261, 269, 283, 294 and 311).

5. **The Advisory Committee concurs with the recommendations of the Board of Auditors related to human resources management. In addition, the Committee recalls the previous recommendations of the Board on human resources matters and considers that additional efforts are required to address the related challenges (see also A/73/497).**

B. Other observations and recommendations

After-service health insurance

6. With regard to the after-service health insurance liabilities, the Board of Auditors found a weakness in the census data provided to the actuary of the United Nations Joint Staff Pension Fund, whose role is to determine whether the current and estimated future assets of the Fund will be sufficient to meet its liabilities. The data provided captured only the latest appointment for uninterrupted service in the United Nations system entities and not the previous accumulative qualifying periods of participation in the United Nations health plans. The Board reviewed a sample of 25 personnel files at Headquarters to assess whether the entry-on-duty dates of active staff members submitted to the actuary were accurate. Of the 25 sampled files, 15 were incorrect, 6 were correct and 4 were inconclusive (A/74/5 (Vol. II), chap. II, para. 46, and chap. V, para. 111).

7. The Board of Auditors recommended that the Administration correct erroneous staff service and participation data that it had already forwarded to the actuary for the valuation of the after-service health insurance liability and correct the employee benefits liabilities in the financial statements. The Administration accepted the recommendation. To urgently address the deficiency in additional qualifying periods, the Administration reviewed the initial entry date of active staff members in the United Nations Joint Staff Pension Fund and recognized that the average additional service period was 1.65 years per staff member. Consequently, an adjustment using the additional qualifying period resulted in an increase of \$100 million, which is reflected in the financial statements. As at 30 June 2019, the after-service health insurance liabilities were valued at \$1.6 billion (*ibid.*, chap. II, paras. 42 and 49–50).

8. Upon enquiry, the Advisory Committee was informed by the Board of Auditors that, for liabilities for retirees, the Secretariat was unable to segregate between the regular budget, extrabudgetary resources and peacekeeping operations. The liabilities were determined by the actuary for the group as a whole, with 77 per cent of the liability apportioned to the regular budget, 15 per cent to peacekeeping operations and 8 per cent to extrabudgetary resources. That apportionment was based on the composition of active employees in 2009. The Board noted that the change in the proportion of active employees in peacekeeping vis-à-vis other United Nations employees over the past decade indicated that it would be reasonable to expect that the proportion of retirees belonging to each of those categories would also have changed. The Board recommended that the basis for apportionment be revised to reflect the appropriate share of employee benefit liabilities on account of after-service health insurance ([A/74/5 \(Vol. I\)](#), chap. II, paras. 82–89).

9. The Advisory Committee expresses concern about the inaccuracy of the data used to assess the liabilities related to after-service health insurance and the lack of clarity in this matter.

10. With regard to the expenditure for after-service health insurance for peacekeeping operations in 2018/19, the Advisory Committee was informed upon enquiry that, owing to increased requirements under salary costs, the support account could not meet its share of the contribution for the period from January to June 2019. The requirement, which amounted to \$5,312,000, was met partially by the unencumbered balances of nine peacekeeping operations² through the apportionment of costs based on a prorated share of the support account (\$2,809,700), and the remainder was deferred to 2019/20 under the support account (\$2,502,300). The Committee addresses this issue further in its related report on the support account ([A/74/809](#)).

11. The Advisory Committee intends to request the Board of Auditors to conduct a review of the after-service health insurance expenditure, so as to increase transparency and ensure compliance with the Financial Regulations and Rules of the United Nations, and to submit a report on this matter during the seventy-fifth session of the General Assembly.

Management of bank accounts

12. The Board of Auditors made some observations regarding the management of bank accounts ([A/74/5 \(Vol. II\)](#), chap. II, paras. 86–95). The Board indicated that it

² United Nations Mission for Justice Support in Haiti, United Nations Mission for the Referendum in Western Sahara, United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic, African Union-United Nations Hybrid Operation in Darfur, United Nations Disengagement Observer Force, United Nations Peacekeeping Force in Cyprus, United Nations Interim Security Force for Abyei, United Nations Interim Administration Mission in Kosovo and United Nations Support Office in Somalia.

had been provided with multiple lists of accounts: one list contained 262 house bank accounts inside and outside of peacekeeping operations; a second contained nine accounts outside of Umoja and not participating in the cash and investment pool; and a revised list contained 311 accounts, including 263 identified as “open accounts”, 44 as “closed accounts” and 4 as “United Nations dummy bank for cash and United Nations Development Fund payments”. The Board noted that two accounts had been inactive since December 2016 and February 2017, respectively. Moreover, two accounts had been opened in September 2017, but no transactions had been recorded. The Board also found another open account that was maintained in one currency while its bank statement showed a closing balance in a different currency. In addition, the Board found clearance issues concerning two accounts at the same bank for which Umoja and the Administration provided one closing balance only. Upon enquiry, the Advisory Committee was informed that the Board had found issues concerning 14 bank accounts with balances totalling \$3.86 million.

13. The Board of Auditors recommended that the Administration close inactive bank accounts, include all bank balances and currencies during periodic verification and demand bank statements for monthly reconciliation (*ibid.*, para. 94). The Advisory Committee was informed upon enquiry that the Administration would close six accounts.

14. The Advisory Committee trusts that the recommendation of the Board of Auditors regarding the management of bank accounts will be implemented expeditiously.

Financing of peacekeeping support activities

15. The Board of Auditors noted that, as a result of the management reform, the United Nations Logistics Base at Brindisi, Italy, and the Regional Service Centre in Entebbe, Uganda, which provided services to peacekeeping missions, had become subordinate to the new Department of Operational Support, which was providing services to the entire Secretariat. The Board also noted the following: (a) the Regional Service Centre was financed through a separate budget, which was prorated to active missions using its services and against the provision of the regular budget for special political missions; (b) the United Nations Logistics Base was also financed through a separate budget, but no amount was charged against the provision for special political missions; and (c) the departments involved in peacekeeping were financed by the regular budget and a peacekeeping support account, which was prorated to all active missions (*ibid.*, paras. 233–236). The Board recommended that the Administration propose new financing arrangements for peacekeeping support, namely the departments at Headquarters, the Regional Service Centre and the Logistics Base, to reflect that the latter two were subordinate to the Department of Operational Support (*ibid.*, para. 242). The Secretary-General indicates that the Administration will submit a proposal to the General Assembly at the second part of the resumed seventy-fourth session to establish a more clear and consistent approach to financing the Department of Management Strategy, Policy and Compliance and the Department of Operational Support from the support account and the regular budget based on the initial experience gained from the implementation of the whole-of-the-Secretariat approach (A/74/709, para. 65, and A/72/492/Add.2, para. 66).

16. The Advisory Committee recalls that the financing arrangements for the United Nations Logistics Base at Brindisi, Italy, and the Regional Service Centre in Entebbe, Uganda, reflect decisions made by the General Assembly, in particular in its resolutions 52/1 B and 69/307.

Supply chain management

17. The Board of Auditors made a series of observations and recommendations regarding the management of the supply chain (A/74/5 (Vol. II), chap. II, paras. 314–365). The Board observed, inter alia, the absence of a competitive bidding exercise for satellite communication services. It noted that, since the mid-1980s, the United Nations had been using the services of an intergovernmental organization that had been privatized in 2001. The United Nations had continued the business relations based on a non-exclusive wholesale customers' agreement, which had been signed on 1 July 2002 for an initial term of five years and extended several times since, most recently until 2021. According to the Board, the agreement had a target value of \$274 million. The Board recommended that the Administration ensure international competition by soliciting Internet capacity services and considered it crucial that the Administration initiate the solicitation process as soon as possible (*ibid.*, paras. 348–355). Upon enquiry, the Advisory Committee was informed that the solicitation exercise for the satellite services had started and the Office of Information and Communications Technology was developing the statement of work, to be completed by the end of March 2020. Upon receipt of the final statement of work, the Procurement Division would start the formal bidding process, which was expected to be completed by March 2021.

18. The Advisory Committee expresses concern regarding the absence of competitive bidding for satellite communications services over a long period of time and recommends that the General Assembly request the Secretary-General to implement the related recommendation of the Board of Auditors promptly. The Committee trusts that the other recommendations of the Board regarding supply chain management will be implemented.

Cases of fraud and presumptive fraud

19. The Board of Auditors indicated that, during the period under review, the Office of the Controller had reported 26 cases of fraud to the Board, involving an amount of \$80,000, as well as 102 cases of presumptive fraud, involving an amount of \$12,740,000. The Board also indicated that its audit should not be relied upon to identify all misstatements or irregularities, as the primary responsibility for preventing and detecting fraud rested with management (*ibid.*, paras. 400 and 402). Upon enquiry, the Advisory Committee was informed that the Administration had implemented a new reconciliation methodology to make sure that all fraud and presumptive fraud cases were correctly reported to the Board. The Office of Internal Oversight Services would, on a quarterly basis, report to the Internal Control Section of the Office of Programme Planning, Finance and Budget on completed investigations of fraud and presumptive fraud and on cases referred to entities for action. On the basis of the submission by the Office of Internal Oversight Services, the Section would maintain a fraud tracker and update it with the current status of the cases.

20. In the related matter of overpayment for residential security measures, the Advisory Committee was informed upon enquiry that the overpayments made during the period from 1 July 2018 to 31 December 2019 amounted to \$63,497. Of that amount, \$45,688 had been recovered by the end of February 2020 and the balance of \$17,809 scheduled for recovery in the March 2020 payroll. The Committee intends to consider this matter in its report on cross-cutting issues related to peacekeeping operations (A/74/737).

21. The Advisory Committee notes the new reconciliation methodology implemented by the Administration. However, the Committee expresses concern about the persistent trend of cases of fraud and presumptive fraud and reiterates the need for a greater emphasis on fraud awareness and prevention by the

Secretary-General, as well as further consideration in future reports of the Board of Auditors.

III. Implementation of the recommendations of the Board of Auditors

Recommendations for 2018/19

22. In its report for the period ended 30 June 2019, the Board of Auditors noted that the Administration had demonstrated a lack of responsiveness to audit requests and observations during the course of the audit. The Board faced difficulties establishing facts on which to base its assessment. In some instances, its findings were either not commented on or commented on only after deadlines had long passed. In other instances, the findings were denied without substantial evidence or the Administration withdrew earlier comments ([A/74/5 \(Vol. II\)](#), chap. II, para. 16). **The Advisory Committee recommends that the General Assembly request the Secretary-General to fully cooperate with the Board of Auditors.**

23. With regard to the recommendations of the Board of Auditors that have not been accepted by the Administration or for which the Administration has requested closure, the reports of the Board and of the Secretary-General show discrepancies. Upon enquiry, the Advisory Committee was informed that, of its 43 recommendations for the period ended 30 June 2019, the Board considered that 9 had not been accepted by the Administration (*ibid.*, paras. 39, 125, 131, 141, 242, 345 and 395), including 2 that the Administration had agreed to but requested their closure (*ibid.*, paras. 294 and 311). In his report, the Secretary-General indicates that, as at 20 February 2020, 38 recommendations were under implementation, and closure had been requested for 5 recommendations ([A/74/709](#), table 2 and paras. 25, 72, 74, 76 and 80).

24. **The Advisory Committee trusts that the Administration will continue to enhance its collaboration with the Board of Auditors on the recommendations that have been accepted or not accepted by the Administration and on the status of recommendations for which the Administration has requested closure.**

Recommendations from prior periods

25. With regard to recommendations from previous years that were endorsed by the General Assembly, the Board of Auditors found that the Administration had been very slow to implement them, and the number of recommendations that had not been implemented had risen sharply ([A/74/5 \(Vol. II\)](#), chap. II, paras. 13 and 18). Of the 52 recommendations for 2017/18, the Board assessed that 11 (21 per cent) had been implemented, 24 (46 per cent) were under implementation, 14 (27 per cent) had not been implemented and 3 (6 per cent) had been overtaken by events (*ibid.*, para. 9). The Advisory Committee was informed by the Administration that the 14 recommendations assessed by the Board as “not implemented” included 8 that the Assembly, in its resolution [73/268 B](#), had requested the Secretary-General not to implement and 6 that were considered by the Administration as being implemented or under implementation.

26. In the previous five financial years (2012/13 to 2016/17), the Board of Auditors had issued a total of 273 recommendations, of which 18 were overtaken by events. Out of the remaining 255 recommendations, 220 (86 per cent) had been implemented and 35 (14 per cent) were still under implementation (*ibid.*, para. 10).

27. **The Advisory Committee reiterates that every effort should be made to improve the rate and timeliness of the implementation of the recommendations of the Board of Auditors. The Committee also emphasizes that, as a matter of**

principle, the implementation status of a recommendation should be determined by the Board, and the recommendations that the General Assembly, in its resolution [73/268](#) B, requested the Secretary-General not to implement should be closed (see also [A/72/789](#), para. 26, and [A/71/845](#), para. 5).

IV. Conclusion

28. The Advisory Committee welcomes the effort made by the Board of Auditors to ensure compliance with the Financial Regulations and Rules of the United Nations and increase the efficiency and effectiveness of the peacekeeping operations, and reaffirms that the findings presented annually by the Board in its audit reports constitute an essential pillar of the Organization's oversight framework. In order to present to Member States a consolidated picture of pertinent operational, managerial and administrative matters across all peacekeeping operations, the Committee is of the view that its comments on the findings of the Board are best considered in conjunction with its observations on cross-cutting issues affecting all peacekeeping operations.
