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

Experiences learned from the use of resident auditors at peacekeeping missions

Report of the Secretary-General

Summary

The present report has been prepared pursuant to General Assembly resolution 54/241 of 23 December 1999, in which the Assembly requested the Secretary-General to report on the experiences gained in the use of resident auditors in peacekeeping missions and the implications of the formula proposed by the Office of Internal Oversight Services (OIOS) to determine the optimum number and salary level of resident auditors that should be deployed to each mission.

The main concept behind resident auditors, who are OIOS staff members deployed to missions but who report to the Director, Audit and Management Consulting Division, of OIOS, is that their continuous physical presence in peacekeeping missions would: (a) provide reasonable assurance to management that the established internal controls are functioning effectively; (b) provide an additional deterrent against the possibility of mismanagement, waste, abuse or fraud in high-risk missions; (c) enable OIOS to gain more in-depth knowledge of mission operations and thereby to be better prepared and able to react promptly to “audit-worthy” events as they develop; and (d) facilitate the process through which OIOS identifies and provides management with advice on significant problem areas.

OIOS and the Department of Peacekeeping Operations agree that the practice of employing resident auditors in selected peacekeeping missions has been very useful and should be continued. During the period from 1994 to 1999, 15 resident auditors were deployed in 10 missions, serving a total of 209 staff-months. Their work resulted in the issuance of more than 1,500 recommendations, which have enjoyed a high rate — better than 80 per cent — of acceptance and implementation by management. Among other corrective actions, these recommendations called for the



recovery of fraud-related and other overpayments amounting to \$9.5 million and the adoption of various cost-saving or income-enhancement measures amounting to an additional \$9.3 million. Other recommendations called for the installation of stronger internal controls and other improvements meant to ensure the quality of administrative and logistical support operations, as well as the efficient and effective use of mission resources.

The audit and consulting services provided by resident auditors have had positive reactions from the heads and other officials of the missions concerned, who have expressed their satisfaction for such services, regarding them as a necessary and valuable complement to the internal oversight function normally provided by OIOS.

The use of resident auditors presents a number of challenges, including identifying and recruiting qualified candidates; ensuring that the appointed candidates subsequently receive the required training and exposure to best auditing practices; ensuring that the resident auditors maintain an effective working relationship with mission management without, at the same time, compromising their independence; and assisting and motivating the resident auditors to perform effectively — and to serve on a relatively long-term basis — despite the special pressures and other problems posed by the difficult and often harsh mission environment.

To ensure adequate internal audit coverage of mission operations, OIOS has recommended that a resident auditor at the P-4 or P-3 level be assigned for each \$100 million of annual budgeted expenditure and also, for those missions with annual budgets exceeding \$200 million, that an auditing assistant at the G-6 or G-7 level be assigned. This recommendation was endorsed by the Advisory Committee on Administrative and Budgetary Questions. OIOS is also proposing that the resident audit teams in the large missions, namely, the United Nations Interim Administration Mission in Kosovo (UNMIK) and the United Nations Mission in Sierra Leone (UNAMSIL), be headed by resident auditors at the P-5 level in view of the complexity of the operations to be covered. This is in line with what the Advisory Committee supported for the United Nations Transitional Administration in East Timor (UNTAET).

As at 31 December 2000, 13 resident auditor posts and three auditing assistant posts had been authorized in six peacekeeping missions (UNMIK, UNAMSIL, the United Nations Organization Mission in the Democratic Republic of the Congo, the United Nations Mission in Bosnia and Herzegovina, the United Nations Transitional Administration in East Timor and the United Nations Mission in Ethiopia and Eritrea). If the OIOS formula were fully implemented, it would result in:

- (a) The inclusion of one additional mission (the United Nations Interim Force in Lebanon) under the resident auditor arrangement;
- (b) The establishment of up to five additional resident auditor posts at the P-5, P-4 or P-3 level and one auditing assistant post at the G-7 or G-6 level.

The actual recruitment and deployment of any additional resident auditors will be made only after OIOS makes a detailed assessment of the risks and corresponding audit requirements pertaining to each affected mission.

The work of the resident auditors becomes even more important in the light of the implementation of the recommendations contained in the report of the Panel on United Nations Peace Operations (A/55/305-S/2000/809), which provide for greater delegation of administrative authority to peacekeeping missions.

The Secretary-General supports the practice of deployment of OIOS resident auditors to the major peacekeeping operations based on the criteria described above.

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Abbreviations

MINURSO	United Nations Mission for the Referendum in Western Sahara
MIPONUH	United Nations Civilian Police Mission in Haiti
MONUA	United Nations Observation Mission in Angola
MONUC	United Nations Mission in the Democratic Republic of the Congo
OIOS	Office of Internal Oversight Services
UNAMET	United Nations Mission in East Timor
UNAMSIL	United Nations Mission in Sierra Leone
UNAVEM	United Nations Angola Verification Mission
UNDOF	United Nations Disengagement Observer Force
UNEF	United Nations Emergency Force
UNIFIL	United Nations Interim Force in Lebanon
UNMEE	United Nations Mission in Ethiopia and Eritrea
UNMIBH	United Nations Mission in Bosnia and Herzegovina
UNMIH	United Nations Mission in Haiti
UNMIK	United Nations Interim Administration Mission in Kosovo
UNOMIL	United Nations Observer Mission in Liberia
UNOMSIL	United Nations Observer Mission in Sierra Leone
UNOSOM	United Nations Operation in Somalia
UNPF	United Nations Peace Forces
UNPROFOR	United Nations Protection Force
UNSMIH	United Nations Support Mission in Haiti
UNTAES	United Nations Transitional Administration for Eastern Slavonia, Baranja and Western Sirmium
UNTAET	United Nations Transitional Administration in East Timor
UNTOFY	United Nations Transition Office in the Former Yugoslavia

I. Introduction

1. Following its consideration of the reports of the Secretary-General on the financing of the peacekeeping missions in Sierra Leone (A/53/454/Add.1, A/54/455 and A/54/633) and of the related report of the Advisory Committee on Administrative and Budgetary Questions (A/54/647), the General Assembly, by its resolution 54/241 of 23 December 1999, requested the Secretary-General to report to it on the experience gained in the use of resident auditors in peacekeeping missions and the implications of the implementation of a formula recommended by OIOS to determine the number and salary levels of resident auditors deployed to peacekeeping missions.

2. The present report has been prepared pursuant to General Assembly resolution 54/241 and is based in large part on a related review conducted by OIOS in cooperation with the Department of Peacekeeping Operations. The review covered the employment and results of the work of resident auditors in peacekeeping missions during the five-year period from 1994 to 1999, as well as the feedback received from the Department and the heads and other officers of the missions concerned on the impact and other aspects of the resident auditors' performance.

II. The resident auditor arrangement: origin, purpose and terms of reference

3. The sudden and explosive growth in the number and cost of peacekeeping operations in the early 1990s posed substantial difficulties and challenges to the Organization. United Nations peacekeeping expenditures increased dramatically, from \$819 million in the biennium 1990-1991 to \$4.7 billion in 1992-1993. For OIOS, the main challenge was to determine what special steps, if any, it should take to meet its objective of providing those operations with adequate and effective internal audit coverage. This led the Office to consider reviving the practice, initiated by the former Internal Audit Division in the mid-1970s, of stationing auditors permanently in selected missions. Such "resident auditors" are audit staff deployed to a mission who report to the Director, Audit and Management Consulting Division, of OIOS. The first missions to which resident auditors were assigned were

UNEF II, from September 1975 to October 1976, and UNIFIL, from February 1980 to June 1987. The resident auditor in UNIFIL also covered UNDOF.

4. After carefully reviewing the resident auditor arrangement involving UNEF and UNIFIL, OIOS concluded that a similar arrangement would be beneficial with regard to the peacekeeping missions established since the early 1990s, particularly those with the largest personnel components and expenditure budgets. As the UNEF and UNIFIL experience indicated, the continuous physical presence of a resident auditor in a mission area has served and would continue to serve the following purposes:

(a) To provide reasonable assurance to management that the established internal controls were functioning effectively;

(b) To provide an additional deterrent against the possibility of mismanagement, waste, abuse or fraud;

(c) To enable OIOS, through each resident auditor, to gain a more extensive and in-depth knowledge of mission operations and to be better prepared and able to react more promptly to events that required speedy audit attention;

(d) To facilitate the audit process of identifying significant problem areas in the missions and of providing appropriate advice and recommendations for their effective resolution.

5. In each case, the decision to field a resident auditor is made by OIOS in consultation and agreement with the Department of Peacekeeping Operations and the mission concerned. Depending on the size and volume of operations of the mission, among other factors, resident auditor posts — which have formed part of the mission's staffing table — have been established at the P-4 or P-3 level. The resident auditor's work has been guided in part by written terms of reference developed by OIOS in cooperation with the Department. Further guidance and close supervision have been provided by the Audit and Management Consulting Division at Headquarters.

6. The resident auditors' terms of reference call for them:

(a) To examine and evaluate the effectiveness of internal controls and suggest measures for strengthening them;

(b) To conduct planned audits, either alone or with visiting OIOS audit teams from Headquarters;

(c) To respond to day-to-day requests from managers at all levels for special audits or for advice and assistance in such matters as the interpretation of United Nations staff and financial regulations, rules and related directives and the formulation of guidelines for local issuance;

(d) To provide relevant briefings to and otherwise assist visiting external auditors in conducting their audit of the host mission, and to help ensure coordination and prevent or minimize duplication of audit coverage;

(e) To provide information to the OIOS Investigations Section on matters pertaining to allegations or cases of fraud, presumptive fraud or other serious irregularities in the mission area.

7. The results of the resident auditor's audits are normally communicated to the mission's chief of administration through individual audit observations issued under the auditor's name after being cleared by the Peacekeeping Section of the Audit and Management Consulting Division. Resident audit findings and recommendations that deal with policy issues and other significant matters requiring the attention of United Nations Headquarters are normally communicated to the appropriate officials at Headquarters through memorandums or reports signed by the Director of the Division.

III. Experience learned from the use of resident auditors

8. A review conducted by OIOS of their employment and performance during the five-year period from 1994 to 1999 showed that the practice of using resident auditors in large peacekeeping missions has proven to be very useful and should be continued. Resident auditors have played an important role in improving the internal control systems in peacekeeping missions, and their audit findings and recommendations have often had significant financial implications for the Organization in terms of achieving cost savings and effecting recovery of overpayments.

9. During the period covered by the review, 15 resident auditors were deployed to 10 missions, serving a total of 209 staff-months, as detailed in table 1.

10. During the same period, the resident auditors' work resulted in part in the issuance of more than 1,500 audit recommendations. Among other corrective action, they called for the recovery of fraud-related or other overpayments amounting to \$9.5 million and the adoption of various cost-saving or income-enhancement schemes amounting to an additional \$9.3 million. These recommendations, a breakdown of which is given in table 2, have enjoyed high rates — better than 80 per cent — of acceptance and implementation by mission management and, in certain cases, by the Department of Peacekeeping Operations and the Department of Management at Headquarters. The other recommendations called for the installation of stronger internal controls and other improvements meant to ensure high-quality operations as well as the proper, efficient and effective use of mission resources.

11. The number of recommendations issued by the resident auditors during the period from 1994 to 1999 represents about 38 per cent of the total recommendations (4,129) issued by OIOS in the same period in connection with its overall audit coverage of peacekeeping operations.

12. In addition to conducting audits by themselves, resident auditors periodically participate with visiting OIOS auditors from Headquarters in special audits of high-risk areas in each mission. These special audits are meant to complement the coverage provided regularly by the resident auditors and to ensure that, with the use of the visiting auditors, the high-risk areas are examined in a more extensive and in-depth manner. This practice of having resident auditors work closely from time to time with their colleagues from Headquarters — involving in part the extensive sharing of auditing knowledge, expertise and experience — has proved effective in various ways. It substantially reduces the risk of significant problem areas not being detected during an audit; it facilitates the process of developing audit findings and recommendations that fully meet OIOS reporting standards; and it serves as a supplementary training and professional development tool to enhance the resident auditors' knowledge of peacekeeping operations and other United Nations activities and systems, as well as of general auditing concepts, techniques and procedures.

13. The resident auditors' regular functions also include assisting visiting external auditors to familiarize themselves with the host mission and to identify audit-worthy areas for special focus. OIOS has

Table 1
Deployment of resident auditors in peacekeeping missions during the period from 1994 to 1999^a

<i>Mission</i>	<i>Average annual expenditure budget (Millions of United States dollars)</i>	<i>Number and level of resident auditors</i>	<i>Number of staff-months served during the period 1994-1999</i>
UNOSOM	412.2	2 P-4/P-3	17
UNAVEM	146.7	1 P-4/P-3	13.5
MONUA	151.8	1 P-4/P-3	17
UNOMIL	14.9	1 P-4	7
UNPROFOR/UNPF	852.0	2 P-4	61
UNTAES	131.8	1 P-4	18.5
UNMIH/UNSMIH	54.8	1 P-4	28
MINURSO	36.9	1 P-3	6
UNMIBH	136.8	1 P-4	30
UNMIK	461.4	2 P-4/P-3	9

^a Not included is UNTAET, which did not have a resident auditor until 2000.

Table 2
Recommendations issued by resident auditors during the period from 1994 to 1999

<i>Mission</i>	<i>Number of recommendations</i>	<i>Amount of overpayments recommended for recovery</i>	<i>Amount of recommended cost savings and additional income</i>
		<i>(Thousands of United States dollars)</i>	
MINURSO	50	NA	NA
MONUA	197	463	NA
UNAMET	23	NA	NA
UNAVEM III	323	2 081	3 463
UNMIBH	312	1 008	1 918
UNMIK	26	NA	263
UNOMIL	7	NA	NA
UNOSOM	95	4 314	1 360
UNPROFOR/ UNPF/UNTOFY	280	1 587	2 329
UNSMIH	164	37	16
UNTAES	94	1	NA
Total	1 571	9 491	9 349

received positive feedback from the Board of Auditors on this aspect of the resident auditors' work.

14. The resident auditors have also been called upon to assist the OIOS Investigations Section in investigating cases or allegations of fraud, presumptive fraud or other irregularities. This has been particularly useful in missions where no OIOS investigator is stationed. For example, in a recent well-publicized fraud case involving hundreds of thousands of dollars of mission funds, the resident auditor in UNMIBH — who was instrumental in uncovering the fraudulent activity — worked subsequently with OIOS investigators in the search for and compilation of evidence that led to the arrest and conviction of the mission staff member involved.

15. This does not, however, lessen the need that has developed to position resident OIOS investigators, especially in the larger peacekeeping missions — some of which, like UNMIK and UNTAET, have broader mandates. With the growth in peacekeeping missions, OIOS has experienced an associated increase in the number of cases requiring investigation. In 2000 more than 30 per cent of the new investigation cases related to peacekeeping operations. On a pilot basis, resident OIOS investigators have been assigned to UNMIK and UNTAET. The need for such resident investigators in other peacekeeping missions is also being explored.

16. Lastly, resident auditors have performed a varying number of ad hoc audits, as well as providing advice and assistance on a variety of subject matters or activities, in response to requests made by the heads of mission or chiefs of administration. Mission management typically consults or requests the assistance of resident auditors on such matters as the interpretation of rules, administrative instructions and other directives; the formulation of administrative or financial guidelines for local issuance; and the operations of local advisory bodies, including the contracts committees, the property survey and claims boards and ad hoc boards of inquiry or task forces. These internal consulting services provided by the resident auditors have proved useful in assisting mission management in its day-to-day decision-making tasks and in preventing or promptly addressing a variety of problems in the mission area.

IV. Determination of the number and salary level of resident auditors

17. Based on its experience with the resident auditor arrangement up to 1998, OIOS had concluded that, for the largest missions, more than one resident auditor was required to ensure the continued effectiveness of the arrangement. This led OIOS to develop and recommend the implementation of a formula to determine how many resident auditors should be deployed, and at what salary levels, in any peacekeeping mission. The formula was reviewed by the Advisory Committee on Administrative and Budgetary Questions in connection with its consideration of the report of the Secretary-General on the financing of UNOMSIL and UNAMSIL (A/54/633).

18. In its report on UNOMSIL and UNAMSIL (A/54/647), the Advisory Committee endorsed the formula, which calls for the establishment or addition of a resident auditor post at the P-4 or P-3 level for each \$100 million of annual budgeted expenditure, as well as the assignment of an auditing assistant at the G-6 or G-7 level for those missions with annual budgets exceeding \$200 million. On this basis, the Advisory Committee recommended that two P-4 posts be authorized for resident auditors for UNAMSIL. In its subsequent report on the financing of UNTAET (A/55/531), the Advisory Committee, while noting the OIOS formula, recommended the authorization of four resident auditor posts (including one post at the P-5 level) in view of the nature of the mission, its structure and the level of troop strength. In view of the complexity of the operations in two similarly large missions — UNMIK and UNAMSIL — OIOS is proposing that the resident audit teams in these two missions also be headed by resident auditors at the P-5 level.

19. The General Assembly, in its resolution 54/241, requested the Secretary-General to report to the Assembly on the implications of implementing the formula recommended by OIOS. The formula basically affects missions with annual expenditure budgets of \$100 million or more. Of the missions currently in operation, those with such budgets are MONUC, UNAMSIL, UNIFIL, UNMIBH, UNMIK, UNTAET and UNMEE. Of those seven missions, six have a total of 13 resident auditor posts (2 at the P-5 level and the rest at the P-4 or P-3 level) plus 3 posts at the G-6

level; one of those missions (UNIFIL) does not have a resident auditor post.

20. If the formula were fully implemented, it would result in the establishment in the missions' staffing tables of five additional resident auditor posts at the P-5, P-4 and P-3 levels and one auditing assistant post at the G-7 or G-6 level, as set out in table 3.

21. OIOS does not intend to apply the formula without first determining — primarily through a detailed risk assessment covering each mission and its audit requirements — the optimum number of resident auditors actually required, regardless of the magnitude of the mission's expenditure budget. It is the intention of OIOS to deploy any additional auditor called for under the formula only after making such a risk assessment and only on the basis of actual experience gained from the auditors initially deployed to each mission. The Office of Programme Planning, Budget and Accounts recognizes the continuing benefits resulting from the use of resident auditors in peacekeeping missions and agrees that the number and level of resident auditors deployed would depend upon the size and complexity of the peacekeeping operation.

V. Challenges in the use of resident auditors

22. The success of the resident auditor arrangement has mainly depended — and will continue largely to depend — on the ability of the Organization to identify and recruit the right personnel. They preferably should have prior United Nations auditing experience — implying a good knowledge of United Nations systems, rules, policies and procedures — to enable them to be fully functional, without much prior training, immediately following their arrival in the mission area. They must be capable of conducting the more advanced types of audits — management, operational, value-for-money and information technology — in addition to the traditional financial/compliance type of auditing, to enable them to effectively satisfy the requirements of the host mission. They must also have good interpersonal and communication skills to enable them to maintain an effective working relationship with mission managers without compromising their status as independent auditors. They must have, above all, unquestionable integrity to enable them to gain and retain the required respect of their colleagues and to

always be perceived as honest, credible and competent professionals.

23. OIOS has experienced continued difficulties in finding and recruiting suitable personnel to serve as resident auditors. The Office regularly receives applications from a great number of outside professional auditors who are interested in United Nations employment and who have solid auditing backgrounds. With very few exceptions, however, they do not have the requisite prior United Nations auditing experience. The exceptions have been former members of United Nations external audit groups, who, however, are available only for limited periods, as they prefer to remain in service with their respective governments' auditing departments and normally accept United Nations appointments on a secondment basis. In view of this situation, OIOS has established and continuously updates a roster of suitable candidates, based on applications directly received by the Organization and leads received from OIOS contacts in the international auditing community.

24. In addition to difficulties in identifying and recruiting suitable candidates for resident auditor posts, both OIOS and the resident auditors face additional challenges following the auditors' actual recruitment and deployment to the mission areas. Of those challenges, the most significant concern:

(a) The resident auditors' ability to achieve and maintain an effective working relationship with mission management without, at the same time, compromising or otherwise adversely affecting their status as independent providers of internal oversight services;

(b) The resident auditors' ability, and willingness over a relatively long-term period, to overcome the day-to-day problems and pressures posed by the difficult and frequently harsh working conditions in the mission areas.

25. Professional auditing standards require that auditors be independent of the activities they audit, because only if they are independent can they render the impartial and unbiased judgements essential to the proper conduct of audits. Such independence is made possible through adequate organizational and reporting arrangements, as well as the objectivity that the auditor must maintain in performing audits. While it is relatively easy to put into place and to adjust as circumstances require the necessary organizational and

Table 3
Implications of implementing a formula proposed by the Office of Internal Oversight Services to determine the number and salary level of resident auditors and auditing assistants in peacekeeping missions

<i>Mission</i>	<i>Annual expenditure budget (Millions of United States dollars)</i>	<i>Number and level of posts</i>	
		<i>Currently authorized</i>	<i>Called for under OIOS formula</i>
MONUC	141.3 ^a	1 P-5, 1 P-3	1 P-4/P-3
UNAMSIL	476.7	2 P-4	1 P-5, 3 P-4/P-3, 1 G-7/G-6
UNIFIL	139.5	0	1 P-4/P-3
UNMIBH	153.6	1 P-4	1 P-4/P-3
UNMIK	461.4	1 P-4, 1 P-3, 1 G-6	1 P-5, 3 P-4/P-3, 1 G-7/G-6
UNTAET	584.1	1 P-5, 1 P-4, 2 P-3, 1 G-6	1 P-5, 4 P-4/P-3, 1 G-7/G-6
UNMEE	200.0	1 P-4, 1 P-3, 1 G-6	2 P-4/P-3, 1 G-7/G-6
Total	2 156.6	13 P-5/P-4/P-3, 3 G-6	18 P-5/P-4/P-3, 4 G-7/G-6

^a This amount represents the balance of the \$200 million commitment authority granted by the General Assembly for the 1999/00 period and is to cover estimated requirements for the period from 1 July 2000 to 30 June 2001.

reporting arrangements to help maintain the resident auditors' independence, it is not as easy for resident auditors, given the unique mission environment, to be — and to be seen as — truly objective, on a consistent and relatively long-term basis. To be truly independent and objective and to be seen as such, resident auditors must exercise great care and discipline in their official dealings and other contacts with management and mission staff in general, as well as in their day-to-day personal activities. In order to maintain the independence, objectivity and effectiveness of resident auditors, OIOS endeavours to rotate the resident auditors among different missions as well as Headquarters at regular intervals.

26. The implementation of the recommendations contained in the report of the Panel on United Nations Peace Operations (A/55/305-S/2000/809) will present new challenges to OIOS in providing assurance of adequate internal controls in the growing number of large and more complex peacekeeping missions. The delegation of more authority from Headquarters to peacekeeping missions in procurement, recruitment and

other administrative areas will require closer attention from OIOS resident auditors to management practices at the mission level. Furthermore, with the expansion of the resident auditors' operations at new peacekeeping missions, OIOS will need additional resources to provide stronger supervision, guidance and training at Headquarters. OIOS should organize training courses and workshops to enhance the professional skills of the resident auditors to enable them to discharge their responsibilities efficiently and effectively. This is especially important since OIOS plans to expand its audit coverage beyond the traditional (administrative) areas to substantive components of the peacekeeping operations, whose mandates have become increasingly complex and multifaceted. Also, the resident auditors' findings reported from different missions need to be more thoroughly analysed at Headquarters for systemic weaknesses, which should be brought to the attention of the Department of Peacekeeping Operations for remedial action.

VI. Conclusion

27. It is the opinion of the Secretary-General, based on the experience gained by the Organization from the use of resident auditors in peacekeeping missions, that this practice should be continued and strengthened. The Secretary-General endorses the proposed formula for determining the number and salary levels of resident auditors that should be deployed to selected peacekeeping missions, on the understanding that the formula would be used as a guideline and the actual requirements in each case would be based on a detailed assessment of the related risks and other relevant factors.
