



United Nations

Financial report and audited financial statements

**for the 12-month period
from 1 July 1999
to 30 June 2000**

Report of the Board of Auditors

**Volume II
United Nations peacekeeping operations**

**General Assembly
Official Records
Fifty-fifth Session
Supplement No. 5 (A/55/5)**

General Assembly
Official Records
Fifty-fifth Session
Supplement No. 5 (A/55/5)

Financial report and audited financial statements

**for the 12-month period from 1 July 1999
to 30 June 2000**

Report of the Board of Auditors

**Volume II
United Nations peacekeeping operations**



United Nations • New York, 2000

Note

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

Contents

<i>Chapter</i>	<i>Page</i>
Abbreviations	x
Letters of transmittal	xii
I. Financial report on the United Nations peacekeeping operations for the period from 1 July 1999 to 30 July 2000	1
II. Report of the Board of Auditors	12
Summary	12
A. Introduction	14
B. Financial issues	16
C. Management issues	21
D. Acknowledgement	39
Annexes	
I. List of missions audited	41
II. Follow-up of action taken to implement the recommendations of the Board of Auditors in its report for the financial period ended 30 June 1999	42
III. Audit opinion	53
IV. Certification of the financial statements	54
V. Financial statements for the 12-month period from 1 July 1999 to 30 June 2000	55
Statement I. Summary of United Nations peacekeeping operations: statement of income and expenditure and changes in reserves and fund balances for the period from 1 July 1999 to 30 June 2000 as at 30 June 2000	56
Schedule 1.1. United Nations peacekeeping operations: summary of expenditures for active peacekeeping operations for the period from 1 July 1999 to 30 June 2000	57
Statement II. Summary of United Nations peacekeeping operations: statement of assets, liabilities, reserves and fund balances as at 30 June 2000	58
Statement III. Summary of United Nations peacekeeping operations: statement of cash flows for the period from 1 July 1999 to 30 June 2000 as at 30 June 2000	59
Statement IV. United Nations Peacekeeping Force in Cyprus (UNFICYP): statement of income and expenditure and changes in reserves and fund balances for the period from 1 July 1999 to 30 June 2000 as at 30 June 2000, and statement of assets, liabilities, reserves and fund balances as at 30 June 2000	60
Schedule 4.1. United Nations Peacekeeping Force in Cyprus: expenditure for the period from 1 July 1999 to 30 June 2000 as at 30 June 2000	62

Schedule 4.2. United Nations Peacekeeping Force in Cyprus: assessed contributions unpaid as at 30 June 2000	63
Statement V. United Nations Emergency Force (UNEF) 1973 and United Nations Disengagement Observer Force (UNDOF): statement of income and expenditure and changes in reserves and fund balances for the period from 1 July 1999 to 30 June 2000 as at 30 June 2000, and statement of assets, liabilities, reserves and fund balances as at 30 June 2000	69
Schedule 5.1. United Nations Disengagement Observer Force: expenditure for the period from 1 July 1999 to 30 June 2000 as at 30 June 2000	71
Schedule 5.2. United Nations Emergency Force 1973 and United Nations Disengagement Observer Force: assessed contributions unpaid as at 30 June 2000	72
Statement VI. United Nations Interim Force in Lebanon (UNIFIL): statement of income and expenditure and changes in reserves and fund balances for the period from 1 July 1999 to 30 June 2000 as at 30 June 2000, and statement of assets, liabilities, reserves and fund balances as at 30 June 2000	78
Schedule 6.1. United Nations Interim Force in Lebanon: expenditure for the period from 1 July 1999 to 30 June 2000 as at 30 June 2000	80
Schedule 6.2. United Nations Interim Force in Lebanon: assessed contributions unpaid as at 30 June 2000	81
Statement VII. United Nations Iraq-Kuwait Observation Mission (UNIKOM): statement of income and expenditure and changes in reserves and fund balances for the period from 1 July 1999 to 30 June 2000 as at 30 June 2000, and statement of assets, liabilities, reserves and fund balances as at 30 June 2000	87
Schedule 7.1. United Nations Iraq-Kuwait Observation Mission: expenditure for the period from 1 July 1999 to 30 June 2000 as at 30 June 2000	89
Schedule 7.2. United Nations Iraq-Kuwait Observation Mission: assessed contributions unpaid as at 30 June 2000	90
Statement VIII. United Nations Mission for the Referendum in Western Sahara (MINURSO): statement of income and expenditure and changes in reserves and fund balances for the period from 1 July 1999 to 30 June 2000 as at 30 June 2000, and statement of assets, liabilities, reserves and fund balances as at 30 June 2000	96
Schedule 8.1. United Nations Mission for the Referendum in Western Sahara: expenditure from the period from 1 July 1999 to 30 June 2000 as at 30 June 2000	98
Schedule 8.2. United Nations Mission for the Referendum in Western Sahara: assessed contributions unpaid as at 30 June 2000	99
Statement IX. United Nations Mission in Bosnia and Herzegovina (UNMIBH): statement of income and expenditure and changes in reserves and fund balances for the period from 1 July 1999 to 30 June 2000 as at 30 June 2000, and statement of assets, liabilities, reserves and fund balances as at 30 June 2000	105
Schedule 9.1. United Nations Mission in Bosnia and Herzegovina: expenditure for the period from 1 July 1999 to 30 June 2000 as at 30 June 2000	107
Schedule 9.2. United Nations Mission in Bosnia and Herzegovina: assessed contributions unpaid as at 30 June 2000	108

Statement X. United Nations Observer Mission in Georgia (UNOMIG): statement of income and expenditure and changes in reserves and fund balances for the period from 1 July 1999 through 30 June 2000, as at 30 June 2000 and statement of assets, liabilities, reserves and funds balances as at 30 June 2000	114
Schedule 10.1. United Nations Observer Mission in Georgia: expenditure for the period from 1 July 1999 to 30 June 2000 as at 30 June 2000	116
Schedule 10.2. United Nations Observer Mission in Georgia: assessed contributions unpaid as at 30 June 2000	117
Statement XI. United Nations Mission of Observers in Tajikistan (UNMOT): statement of income and expenditure and changes in reserves and fund balances for the period from 1 July 1999 to 30 June 2000 as at 30 June 2000, and statement of assets, liabilities, reserves and fund balances as at 30 June 2000	123
Schedule 11.1. United Nations Mission of Observers in Tajikistan: expenditure for the period from 1 July 1999 to 30 June 2000 as at 30 June 2000	125
Schedule 11.2. United Nations Mission of Observers in Tajikistan: assessed contributions unpaid as at 30 June 2000	126
Statement XII. United Nations Observer Mission in Angola (MONUA) and United Nations Angola Verification Mission (UNAVEM): statement of income and expenditure and changes in reserves and fund balances for the period from 1 July 1999 to 30 June 2000 as at 30 June 2000, and statement of assets, liabilities, reserves and fund balances as at 30 June 2000	132
Schedule 12.1. United Nations Observer Mission in Angola: expenditure for the period from 1 July 1999 to 30 June 2000 as at 30 June 2000	134
Schedule 12.2. United Nations Observer Mission in Angola and United Nations Angola Verification Mission: assessed contributions unpaid as at 30 June 2000	135
Statement XIII. United Nations Support Mission in Haiti (UNSMIH), United Nations Transition Mission in Haiti (UNTMIH) and United Nations Civilian Police Mission in Haiti (MIPONUH): statement of income and expenditure and changes in reserves and fund balances for the period from 1 July 1999 to 30 June 2000 as at 30 June 2000, and statement of assets, liabilities, reserves and fund balances at 30 June 2000	141
Schedule 13.1. United Nations Civilian Police Mission in Haiti: expenditure for the period from 1 July 1999 to 30 June 2000 as at 30 June 2000	143
Schedule 13.2. United Nations Support Mission in Haiti, United Nations Transition Mission in Haiti and United Nations Civilian Police Mission in Haiti: assessed contributions unpaid as at 30 June 2000	144
Statement XIV. United Nations Mission in the Central African Republic (MINURCA): statement of income and expenditure and changes in reserves and fund balances for the period from 1 July 1999 to 30 June 2000 as at 30 June 2000, and statement of assets, liabilities, reserves and fund balances as at 30 June 2000	150
Schedule 14.1. United Nations Mission in the Central African Republic: expenditure for the period from 1 July 1999 to 30 June 2000 as at 30 June 2000	152
Schedule 14.2. United Nations Mission in the Central African Republic: assessed contributions unpaid as at 30 June 2000	153

Statement XV. United Nations Mission in Sierra Leone (UNAMSIL) and United Nations Observer Mission in Sierra Leone (UNOMSIL): statement of income and expenditure and changes in reserves and fund balances for the period from 1 July 1999 to 30 June 2000 as at 30 June 2000, and statement of assets, liabilities, reserves and fund balances as at 30 June 2000	159
Schedule 15.1. United Nations Mission in Sierra Leone: expenditure for the period from 1 July 1999 to 30 June 2000 as at 30 June 2000	161
Schedule 15.2. United Nations Mission in Sierra Leone and United Nations Observer Mission in Sierra Leone: assessed contributions unpaid as at 30 June 2000	162
Statement XVI. United Nations Interim Administration Mission in Kosovo (UNMIK): statement of income and expenditure and changes in reserves and fund balances for the period from 10 June 1999 to 30 June 2000 as at 30 June 2000, and statement of assets, liabilities, reserves and fund balances as at 30 June 2000	168
Schedule 16.1. United Nations Interim Administration Mission in Kosovo: expenditure for the period from 10 June 1999 to 30 June 2000 as at 30 June 2000	170
Schedule 16.2. United Nations Interim Administration Mission in Kosovo: assessed contributions unpaid as at 30 June 2000	171
Statement XVII. United Nations Organization Mission in the Democratic Republic of the Congo (MONUC): statement of income and expenditure and changes in reserves and fund balances for the period from 6 August 1999 to 30 June 2000 as at 30 June 2000, and statement of assets, liabilities, reserves and fund balances as at 30 June 2000	177
Schedule 17.1. United Nations Organization Mission in the Democratic Republic of the Congo: expenditure for the period from 6 August 1999 to 30 June 2000 as at 30 June 2000	179
Schedule 17.2. United Nations Organization Mission in the Democratic Republic of the Congo: assessed contributions unpaid as at 30 June 2000	180
Statement XVIII. United Nations Transitional Administration in East Timor (UNTAET): statement of income and expenditure and changes in reserves and fund balances for the period from 1 December 1999 to 30 June 2000 as at 30 June 2000, and statement of assets, liabilities, reserves and fund balances as at 30 June 2000	186
Schedule 18.1. United Nations Transitional Administration in East Timor: expenditure for the period from 1 December 1999 to 30 June 2000 as at 30 June 2000	188
Schedule 18.2. United Nations Transitional Administration in East Timor: assessed contributions unpaid as at 30 June 2000	189
Statement XIX. United Nations Peacekeeping Reserve Fund: statement of income and expenditure and changes in reserves and fund balances for the period from 1 July 1999 to 30 June 2000 as at 30 June 2000, and statement of assets, liabilities, reserves and fund balances as at 30 June 2000	195
Schedule 19.1. United Nations Peacekeeping Reserve Fund: assessed contributions unpaid as at 30 June 2000	197

Statement XX. Support account for peacekeeping operations: statement of income and expenditure and changes in reserves and fund balances for the period from 1 July 1999 to 30 June 2000 as at 30 June 2000, and statement of assets, liabilities, reserves and fund balances as at 30 June 2000	198
Schedule 20.1. Support account for peacekeeping operations: expenditure for the period from 1 July 1999 to 30 June 2000 as at 30 June 2000	200
Statement XXI. United Nations Logistics Base at Brindisi: statement of income and expenditure and changes in reserves and fund balances for the period from 1 July 1999 to 30 June 2000 as at 30 June 2000, and statement of assets, liabilities, reserves and fund balances as at 30 June 2000	201
Schedule 21.1. United Nations Logistics Base at Brindisi: expenditure for the period from 1 July 1999 to 30 June 2000 as at 30 June 2000	203
Statement XXII. United Nations Preventive Deployment Force (UNPREDEP): statement of income and expenditure and changes in reserves and fund balances for the period from 1 January 1996 to 15 October 1999 as at 30 June 2000, and statement of assets, liabilities, reserves and fund balances as at 30 June 2000	204
Schedule 22.1. United Nations Preventive Deployment Force: expenditure for the period from 1 July 1999 to 30 June 2000 as at 30 June 2000	206
Schedule 22.2. United Nations Preventive Deployment Force: assessed contributions unpaid as at 30 June 2000	207
Statement XXIII. United Nations Transitional Administration for Eastern Slavonia, Baranja and Western Sirmium (UNTAES) and Civilian Police Support Group: statement of income and expenditure and changes in reserves and fund balances for the period from 1 January 1996 to 30 November 1998 as at 30 June 2000, and statement of assets, liabilities, reserves and fund balances as at 30 June 2000	213
Schedule 23.1. United Nations Transitional Administration for Eastern Slavonia, Baranja and Western Sirmium and United Nations Civilian Police Support Group: assessed contributions unpaid as at 30 June 2000	215
Statement XXIV. United Nations Peace Forces (UNPF): statement of income and expenditure and changes in reserves and fund balances for the period from 12 January 1992 to 30 June 1997 as at 30 June 2000, and statement of assets, liabilities, reserves and fund balances as at 30 June 2000	221
Schedule 24.1. United Nations Peace Forces: expenditure for the period from 1 July 1999 to 30 June 2000 as at 30 June 2000	223
Schedule 24.2. United Nations Peace Forces: assessed contributions unpaid as at 30 June 2000	224
Statement XXV. United Nations Observer Mission in Liberia (UNOMIL): statement of income and expenditure and changes in reserves and fund balances for the period from 22 September 1993 to 30 June 1998 as at 31 December 2000, and statement of assets, liabilities, reserves and fund balances as at 30 June 2000	230
Schedule 25.1. United Nations Observer Mission in Liberia: assessed contributions unpaid as at 30 June 2000	232

Statement XXVI. Military Observer Group of the United Nations Verification Mission in Guatemala (MINUGUA): statement of income and expenditure and changes in reserves and fund balances for the period from 15 February 1997 to 31 May 1997 as at 30 June 2000, and statement of assets, liabilities, reserves and fund balances as at 30 June 2000	238
Schedule 26.1. Military Observer Group of the United Nations Verification Mission in Guatemala: assessed contributions unpaid as at 30 June 2000	240
Statement XXVII. United Nations Military Liaison Team in Cambodia (UNMLT): statement of income and expenditure and changes in reserves and fund balances for the period from 15 November 1993 to 15 November 1994 as at 30 June 2000, and statement of assets, liabilities, reserves and fund balances as at 30 June 2000	246
Schedule 27.1. United Nations Military Liaison Team in Cambodia: assessed contributions unpaid as at 30 June 2000	248
Statement XXVIII. United Nations Assistance Mission for Rwanda (UNAMIR) and United Nations Observer Mission to Uganda-Rwanda (UNOMUR): statement of income and expenditure and changes in reserves and fund balances for the period from 22 June 1993 to 19 April 1996 as at 30 June 2000, and statement of assets, liabilities, reserves and fund balances as at 30 June 2000	252
Schedule 28.1. United Nations Assistance Mission for Rwanda and United Nations Observer Mission to Uganda-Rwanda: assessed contributions unpaid as at 30 June 2000	254
Statement XXIX. United Nations Mission in Haiti (UNMIH): statement of income and expenditure and changes in reserves and fund balances for the period from 23 September 1993 to 31 July 1996 as at 30 June 2000, and statement of assets, liabilities, reserves and fund balances as at 30 June 2000	260
Schedule 29.1. United Nations Mission in Haiti: assessed contributions unpaid as at 30 June 2000	262
Statement XXX. United Nations Operation in Mozambique (ONUMOZ): statement of income and expenditure and changes in reserves and fund balances for the period from 15 October 1992 to 31 March 1995 as at 30 June 2000, and statement of assets, liabilities, reserves and fund balances as at 30 June 2000	268
Schedule 30.1. United Nations Operation in Mozambique: assessed contributions unpaid as at 30 June 2000	270
Statement XXXI. United Nations Operation in Somalia (UNOSOM): statement of income and expenditure and changes in reserves and fund balances for the period from 1 May 1992 to 28 February 1995 as at 30 June 2000, and statement of assets, liabilities, reserves and fund balances as at 30 June 2000	276
Schedule 31.1. United Nations Operation in Somalia: assessed contributions unpaid as at 30 June 2000	278
Statement XXXII. United Nations Transitional Authority in Cambodia (UNTAC): statement of income and expenditure and changes in reserves and fund balances for the period from 1 November 1991 to 31 March 1994 as at 30 June 2000, and statement of assets, liabilities, reserves and fund balances as at 30 June 2000	282
Schedule 32.1. United Nations Transitional Authority in Cambodia: assessed contributions unpaid as at 30 June 2000	284

Statement XXXIII. United Nations Observer Mission in El Salvador (ONUSAL): statement of income and expenditure and changes in reserves and fund balances for the period from 7 November 1989 to 31 May 1995 as at 30 June 2000, and statement of assets, liabilities, reserves and fund balance as at 30 June 2000	290
Schedule 33.1. United Nations Observer Mission in El Salvador and United Nations Observer Group in Central America: assessed contributions unpaid as at 30 June 2000 ..	292
Statement XXXIV. United Nations Transition Assistance Group (UNTAG): statement of income and expenditure and changes in reserves and fund balances for the period from 1 April 1988 to 30 June 1991 as at 30 June 2000, and statement of assets, liabilities, reserves and fund balances as at 30 June 2000	298
Schedule 34.1. United Nations Transition Assistance Group: assessed contributions unpaid as at 30 June 2000	300
Statement XXXV. United Nations Iran-Iraq Military Observer Group (UNIIMOG): statement of income and expenditure and changes in reserves and fund balances for the period from 9 August 1988 to 31 March 1991 as at 30 June 2000, and statement of assets, liabilities, reserves and fund balances as at 30 June 2000	303
Schedule 35.1. United Nations Iran-Iraq Military Observer Group: assessed contributions unpaid as at 30 June 2000	305
Statement XXXVI. Ad hoc account for the United Nations Operation in the Congo (ONUC): statement of income and expenditure and changes in reserves and fund balances for the period from 14 July 1960 to 30 June 1964 as at 30 June 2000, and statement of assets, liabilities, reserves and fund balances as at 30 June 2000	307
Schedule 36.1. Ad hoc account for the United Nations Operation in the Congo: assessed contributions unpaid as at 30 June 2000	309
Statement XXXVII. Special Account for the United Nations Emergency Force (UNEF) 1956: statement of income and expenditure and changes in reserves and fund balances for the period from 5 November 1956 to 30 June 1967 as at 30 June 2000, and statement of assets, liabilities, reserves and fund balances as at 30 June 2000	311
Schedule 37.1. Special Account for the United Nations Emergency Force 1956: assessed contributions unpaid as at 30 June 2000	313
Notes to the financial statements for peacekeeping operations for the period from 1 July 1999 to 30 June 2000	315

Annexes

I. Peacekeeping operations funded by the regular budget: status of appropriations by major object of expenditure for the six-month period of the biennium 2000-2001 ended 30 June 2000	328
II. Activities related to peacekeeping operations funded by trust funds: schedule of income, expenditure, reserves and fund balances for the fiscal year ended 30 June 2000	329

Abbreviations

MINUGUA	United Nations Verification Mission in Guatemala
MINURCA	United Nations Mission in the Central African Republic
MINURSO	United Nations Mission for the Referendum in Western Sahara
MIPONUH	United Nations Civilian Police Mission in Haiti
MONUA	United Nations Observer Mission in Angola
MONUC	United Nations Organization Mission in the Democratic Republic of the Congo
ONUC	United Nations Operation in the Congo
ONUCA	United Nations Observer Group in Central America
ONUMOZ	United Nations Operation in Mozambique
ONUSAL	United Nations Observer Mission in El Salvador
UNAMET	United Nations Mission in East Timor
UNAMIC	United Nations Advance Mission in Cambodia
UNAMIR	United Nations Assistance Mission for Rwanda
UNAMSIL	United Nations Mission in Sierra Leone
UNAVEM	United Nations Angola Verification Mission
UNDOF	United Nations Disengagement Observer Force
UNEF	United Nations Emergency Force
UNFICYP	United Nations Peacekeeping Force in Cyprus
UNIFIL	United Nations Interim Force in Lebanon
UNIIMOG	United Nations Iran-Iraq Military Observer Group
UNIKOM	United Nations Iraq-Kuwait Observation Mission
UNMIBH	United Nations Mission in Bosnia and Herzegovina
UNMIH	United Nations Mission in Haiti
UNMIK	United Nations Interim Administration Mission in Kosovo
UNMLT	United Nations Military Liaison Team in Cambodia
UNMOGIP	United Nations Military Observer Group in India and Pakistan
UNMOT	United Nations Mission of Observers in Tajikistan

UNOMIG	United Nations Observer Mission in Georgia
UNOMIL	United Nations Observer Mission in Liberia
UNOMSIL	United Nations Observer Mission in Sierra Leone
UNOMUR	United Nations Observer Mission in Uganda-Rwanda
UNOSOM	United Nations Operation in Somalia
UNPF	United Nations Peace Forces
UNPREDEP	United Nations Preventive Deployment Force
UNPROFOR	United Nations Protection Force
UNSMIH	United Nations Support Mission in Haiti
UNTAC	United Nations Transitional Authority in Cambodia
UNTAES	United Nations Transitional Administration for Eastern Slavonia, Baranja and Western Sirmium
UNTAET	United Nations Transitional Administration in East Timor
UNTAG	United Nations Transition Assistance Group
UNTMIH	United Nations Transition Mission in Haiti
UNTSO	United Nations Truce Supervision Organization

Letters of transmittal

6 October 2000

Dear Mr. Chairman,

In accordance with financial regulation 11.4, I have the honour to submit the accounts of the United Nations peacekeeping operations for the 12-month period from 1 July 1999 to 30 June 2000, which I hereby approve. The financial statements have been completed and certified as correct by the Controller.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

(Signed) Kofi A. **Annan**

Sir John Bourn, KCB
Chairman
United Nations Board of Auditors
New York

31 January 2001

Sir,

I have the honour to transmit to you, the financial statements of the United Nations peacekeeping operations for the financial period ended 30 June 2000, which were submitted by the Secretary-General. These statements have been examined and include the audit opinion of the Board of Auditors.

In addition, I have the honour to present the report of the Board of Auditors with respect to the above accounts.

Accept, Sir, the assurances of my highest consideration.

(Signed) Celso D. **Gangan**
Chairman
Philippine Commission on Audit
and Chairman
United Nations Board of Auditors

The President of the General Assembly
of the United Nations
New York, N.Y.

Chapter I

Financial report on the United Nations peacekeeping operations for the period from 1 July 1999 to 30 June 2000

1. The Secretary-General has the honour to submit his financial report on the accounts of the United Nations peacekeeping operations for the period from 1 July 1999 to 30 June 2000. The accounts in the present volume consist of 37 statements as at the end of June 2000, with related schedules and notes covering peacekeeping operations funded by assessments, as well as the Peacekeeping Reserve Fund, the support account for peacekeeping operations and the United Nations Logistics Base at Brindisi, Italy (see chap. V).

2. As stipulated in financial regulation 2.1, the financial period for peacekeeping operations with special accounts, is one year, from 1 July to 30 June, and the financial reporting for those peacekeeping missions is contained in the present volume. The financial reporting for the United Nations Truce Supervision Organization (UNTSO) and the United Nations Military Observer Group in India and Pakistan (UNMOGIP), which are funded from the United Nations regular budget is done on a biennial basis and is contained in the biennial financial statements covering the regular budget. However, the expenditures of such funds are listed in annex I to the financial statements (chap. V). The financial reporting of peacekeeping-related activities funded by general trust funds is done on a biennial basis and is contained in the biennial financial statements. However the income, expenditures and fund balances are reflected in annex II to the financial statements.

A. Overview

3. Statements I, II and III of the accounts summarize the consolidated results of United Nations peacekeeping activities for the period from 1 July 1999 to 30 June 2000. Statement I includes income received and expenditures incurred. Schedule 1.1 reflects expenditures by category incurred by various active missions during the financial period. Expenditures for peacekeeping activities amounted to \$1,756.8 million for the reporting period, compared with \$837.8 million during the previous 12-month period (see table 1 below). Statement II includes a summary of assets, liabilities, reserves and fund balances of peacekeeping operations as at 30 June 2000. Statement III summarizes the net cash flows for all peacekeeping activities for the period.

4. The financial situation of the United Nations peacekeeping operations during the period from 1 July 1999 to 30 June 2000 continued to be affected by serious cash shortages. This necessitated borrowing from and among peacekeeping funds, while substantial amounts of obligations for reimbursement to Member States for troop costs and contingent-owned equipment continued to remain unpaid. The failure of a number of Member States to pay their assessed contributions in full and on time for peacekeeping operations, as well as for the regular budget and the international tribunals, has resulted in recurring cash crises and has exacerbated the Organization's inability to meet its financial obligations.

5. Table 1 below shows expenditures for the periods from 1 July 1996 to 30 June 1997, from 1 July 1997 to 30 June 1998, from 1 July 1998 to 30 June 1999 and from 1 July 1999 to 30 June 2000 for each assessed peacekeeping mission.

6. As at 30 June 2000, the total unpaid assessed contributions for peacekeeping operations amounted to \$2,128.9 million, compared with \$1,687.6 million as at 30 June 1999. Table 2 shows the amount of unpaid assessed contributions for each of the United Nations peacekeeping operations as at 30 June 1996, 1997, 1998, 1999 and 2000.

7. Table 3 shows the gap as at 30 June 2000 between the cash available for each peacekeeping operation and the liabilities, including amounts owed to Member States. Available cash for all operations totalled \$787 million, while total liabilities were more than twice as much, at \$1,942.5 million.

B. Active peacekeeping operations

8. Statements IV to XVIII present the financial position of each of the peacekeeping operations active during the period from 1 July 1999 to 30 June 2000, along with detailed expenditure schedules.

9. Statement IV represents the accounts of the United Nations Peacekeeping Force in Cyprus (UNFICYP), which are different from those of other peacekeeping operations. Prior to 16 June 1993, UNFICYP operations were funded solely by voluntary contributions in cash and in kind. Accordingly, no obligations were recorded in the accounts prior to 16 June 1993, unless sufficient voluntary contributions had been pledged or received to cover them. As a consequence, a total of \$163.7 million in outstanding obligations due to the Member States incurred prior to 16 June 1993 is not shown as a liability for that period. The General Assembly, in its resolution 47/236 of 14 September 1993, decided that, beginning 16 June 1993, the costs of UNFICYP operations should be treated as expenses of the Organization to be borne by all Member States. Assessments have been made for mandate periods starting from 16 June 1993. Total expenditures for the 12-month period ending 30 June 2000 amounted to \$45.1 million, as compared with \$44.9 million in the previous 12-month period. Total unpaid assessed contributions as at 30 June 2000, amounting to \$18 million, reflect an increase of \$0.6 million.

10. The United Nations Emergency Force (UNEF) 1973 and the United Nations Disengagement Observer Force (UNDOF) (statement V) had a total authorized retained surplus of \$44 million, which was further reduced by \$4 million in accordance with General Assembly resolution 54/266 dated 15 June 2000, leaving a balance of authorized retained surplus of \$40 million. This surplus includes \$36 million transferred to a special account in accordance with General Assembly resolution 36/116 A of 10 December 1981. Total expenditures during the 12-month period from 1 July 1999 to 30 June 2000 amounted to \$35 million, compared with \$33.7 million for the previous 12-month period. Total unpaid assessed contributions as at 30 June 2000, amounting to \$15.1 million, reflect an increase of \$0.4 million.

11. The United Nations Interim Force in Lebanon (UNIFIL) (statement VI) had authorized retained surpluses totalling \$82.9 million, including \$19.6 million transferred to a special account in accordance with General Assembly resolution 36/116 A. Total expenditures for the 12-month period from 1 July 1999 to 30 June 2000 amounted to \$149.6 million, compared with \$134.7 million for the previous 12-month period. Total unpaid assessed contributions as at 30 June 2000, amounting to \$111.6 million, reflect an increase of \$3 million.

Table 1
Total expenditures
(Millions of United States dollars)

<i>Mission</i>	<i>1 July 1996- 30 June 1997</i>	<i>1 July 1997- 30 June 1998</i>	<i>1 July 1998- 30 June 1999</i>	<i>1 July 1999- 30 June 2000</i>
UNFICYP	45.0	52.7	44.9	45.1
UNDOF/UNEF	32.4	32.5	33.7	35.0
UNIFIL	126.7	125.0	134.7	149.6
UNIKOM	48.0	48.1	50.0	51.0
MINURSO	29.3	40.9	44.6	55.7
UNMIBH	118.2	157.1	169.8	152.2
UNOMIG	15.9	20.9	21.7	25.0
UNMOT	5.7	13.9	16.3	13.7
MONUA/UNAVEM	302.3	170.5	133.0	14.2
UNSMIH/UNTMIH/MIPONUH ^a	48.2	29.4	28.0	19.1
MINURCA	-	17.6	63.0	40.6
UNOMSIL	-	-	12.9	264.9
UNMIK	-	-	-	362.4
MONUC	-	-	-	55.3
UNTAET	-	-	-	292.0
UNPREDEP ^b	50.4	39.6	41.9	1.1
UNTAES	265.1	119.9	7.2	-
UNPF ^b	46.8	1.2	-	179.9
UNOMIL	26.1	10.0	-	-
MINUGUA	3.9	-	-	-
UNMLT	-	-	-	-
UNAMIR/UNOMUR	2.4	-	-	-
ONUMOZ	-	-	-	-
UNOSOM	-	-	-	-
UNTAC	-	-	36.1	-
ONUSAL	-	-	-	-
ONUC	-	-	-	-
UNEF (1956)	-	-	-	-
Total	1 166.4	879.3	837.8	1 756.8^c

^a Also includes the completed mission of UNMIH.

^b Includes expenditures for completed missions.

^c Excludes special purpose accounts amounting to \$45.4 million.

Table 2
Unpaid assessed contributions
(Millions of United States dollars)

<i>Mission</i>	<i>30 June 1996</i>	<i>30 June 1997</i>	<i>30 June 1998</i>	<i>30 June 1999</i>	<i>30 June 2000</i>
UNFICYP	9.5	13.6	15.7	17.4	18.0
UNDOF/UNEF	27.5	15.3	14.9	14.7	15.1
UNIFIL	230.2	254.6	112.8	108.6	111.6
UNIKOM	21.6	11.4	11.1	10.4	11.6
MINURSO	47.7	58.7	64.0	54.8	76.7
UNMIBH	38.8	29.8	54.4	35.6	44.7
UNOMIG	1.5	6.3	6.6	7.9	12.1
UNMOT	0.7	2.6	7.0	4.9	2.5
MONUA/UNAVEM	120.9	158.2	122.6	129.1	95.4
UNSMIH/UNTMIH/MIPONUH ^a	95.8	43.9	26.0	30.4	28.3
MINURCA	-	-	18.4	47.5	40.6
UNOMSIL	-	-	-	4.5	135.3
UNMIK	-	-	-	-	93.7
MONUC	-	-	-	-	165.3
UNTAET	-	-	-	-	171.7
UNPREDEP	22.4	13.0	11.1	15.5	9.6
UNTAES	84.6	56.3	50.7	31.6	26.3
UNPF	734.9	942.8	693.8	671.0	621.5
UNOMIL	11.0	21.4	6.2	5.6	5.4
MINUGUA	-	2.4	0.3	0.2	0.2
UNAMIR/UNOMUR	85.1	34.7	26.7	25.8	24.9
ONUMOZ	40.1	39.2	24.3	20.1	19.1
UNOSOM	314.9	300.9	301.1	284.5	233.8
UNTAC	49.0	48.3	43.2	47.4	45.7
ONUSAL	20.5	10.1	12.0	3.1	2.9
UNTAG	0.5	0.5	0.4	0.4	0.3
UNHMOG	0.2	0.1	0.1	0.1	0.1
ONUC	73.9	73.9	73.9	73.9	73.9
UNEF (1956)	42.7	42.7	42.6	42.6	42.6
Total	2 074.0	2 180.7	1 739.9	1 687.6	2 128.9

^a Also includes the completed mission of UNMIH.

Table 3
Available cash versus liabilities as at 30 June 2000
(Millions of United States dollars)

<i>Mission</i>	<i>Available cash</i>	<i>Liabilities</i>
UNFICYP	8.7	20.5
UNDOF/UNEF	18.6	14.6
UNIFIL	55.6	70.7
UNIKOM	42.3	13.0
MINURSO	4.9	53.0
UNMIBH	49.2	28.0
UNOMIG	6.0	6.0
UNMOT	10.7	5.5
MONUA/UNAVEM	84.0	91.0
UNSMIH/UNTMIH/MIPONUH ^a	66.1	104.6
MINURCA	5.7	40.5
UNOMSIL	43.4	177.6
UNMIK	67.4	139.0
MONUC	25.8	209.6
UNTAET	75.8	193.2
UNPREDEP	65.2	53.9
UNTAES	47.2	20.8
UNPF	34.0	342.6
UNOMIL	9.7	0.8
MINUGUA	-	0.2
UNMLT	0.2	0.1
UNAMIR/UNOMUR	22.7	15.3
ONUMOZ	7.0	9.7
UNOSOM	11.0	196.0
UNTAC	1.4	50.4
ONUSAL	0.8	1.3
UNTAG	20.1	-
UNIIMOG	3.5	0.1
ONUC	-	46.5
UNEF (1956)	-	38.0
Total	787.0^b	1 942.5^c

^a Also includes the completed mission of UNMIH.

^b Excludes special purpose accounts amounting to \$114.4 million.

^c Excludes special purpose accounts amounting to \$6.6 million.

12. Statement VII presents the financial position of the United Nations Iraq-Kuwait Observation Mission (UNIKOM). Total expenditures for the 12-month period from 1 July 1999 to 30 June 2000 amounted to \$51 million, compared with \$50 million for the previous 12-month period. Total unpaid assessed contributions as at 30 June 2000, amounting to \$11.6 million, reflect an increase of \$1.2 million.

13. Statement VIII presents the financial position of the United Nations Mission for the Referendum in Western Sahara (MINURSO). Total expenditures for the 12-month period from 1 July 1999 to 30 June 2000 amounted to \$55.7 million, compared with \$44.6 million for the previous 12-month period. Total unpaid assessed contributions as at 30 June 2000, amounting to \$76.7 million, reflect an increase of \$21.9 million.

14. Statement IX presents the financial positions of United Nations Mission in Bosnia and Herzegovina (UNMIBH). Total expenditure for the 12-month period ending 30 June 2000 amounted to \$152.2 million, compared with \$169.8 million for the previous 12-month period. Total unpaid assessed contributions as at 30 June 2000, amounting to \$44.7 million, reflect an increase of \$9.1 million. The related missions of the United Nations Transitional Administration for Eastern Slavonia, Baranja and Western Sirmium (UNTAES) and the United Nations Preventive Deployment Force (UNPREDEP) are highlighted under section E, on completed peacekeeping operations.

15. Statement X presents the financial position of the United Nations Observer Mission in Georgia (UNOMIG). Total expenditures for the 12-month period from 1 July 1999 to 30 June 2000 amounted to \$25 million, compared with \$21.7 million for the previous 12-month period. Total unpaid assessed contributions as at 30 June 2000, amounting to \$12.1 million, reflect an increase of \$4.2 million.

16. Statement XI presents the financial position of the United Nations Mission of Observers in Tajikistan (UNMOT). Total expenditures for the 12-month period from 1 July 1999 to 30 June 2000 amounted to \$13.7 million, compared with \$16.4 million reported in the previous 12 months. Total unpaid assessed contributions as at 30 June 2000, amounting to \$2.5 million, reflect a decrease of \$2.4 million.

17. Statement XII presents the financial position of the United Nations Observer Mission in Angola (MONUA) and the United Nations Angola Verification Mission (UNAVEM). Expenditures for those missions for the 12-month period ending 30 June 2000 amounted to \$14.2 million, which was \$118.8 million lower than the \$133 million reported for the previous 12-month period since MONUA entered its liquidation phase in February 1999. Total unpaid assessed contributions as at 30 June 2000, amounting to \$95.4 million, reflect a decrease of \$33.7 million.

18. Statement XIII presents the combined financial position of the United Nations Support Mission in Haiti (UNSMIH), the United Nations Transition Mission in Haiti (UNTMIH) and the United Nations Civilian Police Mission in Haiti (MIPONUH). Total expenditures for those missions for the 12-month period from 1 July 1999 to 30 June 2000 amounted to \$19.1 million, compared with the \$28 million reported in the previous 12-month period. Total unpaid assessed contributions as at 30 June 2000, amounting to \$21.1 million, reflect a decrease of \$1.3 million.

19. Statement XIV presents the financial position of the United Nations Mission in the Central African Republic (MINURCA). Total expenditures for the 12-month period from 1 July 1999 to 30 June 2000 amounted to \$40.6 million, which is \$22.5

million lower than the \$63 million reported in the previous financial period. Total unpaid assessed contributions as at 30 June 2000, amounting to \$40.6 million, reflect a decrease of \$6.9 million.

20. Statement XV presents the financial position of the United Nations Observer Mission in Sierra Leone (UNOMSIL). Total expenditures for the period from 1 July 1999 to 30 June 2000 amounted to \$264.9 million, which is \$252 million higher than the \$12.9 million reported in the previous 12-month period. The substantial increase is owing to the reporting of expenditures for the full 12 months of operations of the current financial period, as a result of the expansion of the Mission. The Mission re-established its presence in Freetown in May 1999 after a prior evacuation, as the United Nations Mission in Sierra Leone (UNAMSIL). Total unpaid assessed contributions as at 30 June 2000 amounted to \$135.3 million.

21. Statement XVI presents the financial position of the United Nations Interim Administration Mission in Kosovo (UNMIK), which was established by the Security Council in resolution 1244 (1999) of 10 June 1999. Total expenditures amounted to \$362.4 million for the period from 10 June 1999 to 30 June 2000. Total unpaid assessed contributions as at 30 June 2000 amounted to \$93.7 million.

22. Statement XVII presents the financial position of the United Nations Organization Mission in the Democratic Republic of the Congo (MONUC), which was established by the Security Council in its resolutions 1258 (1999) of 6 August 1999 and 1279 (1999) of 30 November 1999. Total expenditures amounted to \$55.3 million for the period from 6 August 1999 to 30 June 2000. Total unpaid assessed contributions as at 30 June 2000 amounted to \$165.3 million.

23. Statement XVIII presents the financial position of the United Nations Transitional Administration in East Timor (UNTAET), which was established by the Security Council in resolution 1272 (1999) of 25 October 1999. UNTAET was established for an initial period from 25 October 1999 until 31 January 2001. By General Assembly resolution 54/246 B of 7 April 2000, appropriations were approved for the establishment and maintenance of UNTAET for the period from 1 December 1999 to 30 June 2000. UNTAET is the successor mission to the United Nations Mission in East Timor (UNAMET), which was funded from the United Nations regular budget until 30 November 1999. Total expenditures amounted to \$292 million for the period from 25 October 1999 to 30 June 2000. Total unpaid assessed contributions as at 30 June 2000 amounted to \$171.7 million.

C. United Nations Peacekeeping Reserve Fund

24. The United Nations Peacekeeping Reserve Fund (statement XIX) was established by the General Assembly in its resolution 47/217 of 23 December 1992 to serve as a cash flow mechanism to ensure the rapid deployment of peacekeeping operations. In accordance with the resolution, the initial level of the Fund was set at \$150 million, which comprised funds transferred from a cumulative surplus of \$49.2 million from the United Nations Transition Assistance Group (UNTAG), \$18.2 million from United Nations Iran-Iraq Military Observer Group (UNIIMOG) and \$82.6 million from retained surplus of the United Nations General Fund.

D. Support account for peacekeeping operations

25. Central administrative support to all peacekeeping operations is funded through the support account for peacekeeping operations (statement XX). The support account derives its income from allocations from the existing budgets of the active peacekeeping operations, as decided by the General Assembly. Total expenditures for administrative support to peacekeeping operations, most of which were for staff and other personnel costs, totalled \$38.4 million during the 12-month financial period ending 30 June 2000, compared with \$32.8 million during the previous 12-month period.

26. Statement XXI presents the financial position of the United Nations Logistics Base at Brindisi, Italy, which was established to receive, inspect, repair, distribute and store surplus assets from closed and/or downsized missions and to assemble and maintain mission start-up kits. Funding for the Logistics Base is derived from allocations from the existing budgets of active peacekeeping operations. During the present financial period, total expenditures for the Logistics Base were \$7 million, compared with \$6.7 million during the previous financial period.

E. Completed peacekeeping operations

27. Statement XXII presents the financial position of UNPREDEP, which is under liquidation. Total expenditures were \$1.1 million during the financial period from 1 July 1999 to 30 June 2000. The change in fund balance was derived from interest and miscellaneous income (\$3.7 million), savings on or cancellations of prior period obligations (\$1.4 million), a prior period adjustment (\$0.2 million) and credits returned to Member States (\$0.3 million) and an allocation from fund balance of (\$0.9 million). Total unpaid assessed contributions as at 30 June 2000, amounting to \$9.6 million, reflected a decrease of \$5.9 million.

28. Statement XXIII presents the financial position of UNTAES, which is under liquidation. No expenditure was incurred during the financial period. The change in fund balance was derived from interest and miscellaneous income (\$4.2 million), savings on or cancellations of prior period obligations (\$1.2 million), a prior period adjustment (\$0.6 million) and credits returned to Member States (\$0.9 million). Total assessed contributions unpaid as at 30 June 2000, amounting to \$26.3 million, reflected a decrease of \$5.3 million.

29. Statement XXIV presents the financial position of the United Nations Peace Forces (UNPF), which is under liquidation. Total expenditures were \$179.9 million during the financial period from 1 July 1999 to 30 June 2000. The change in fund balance was derived from interest and miscellaneous income (\$1.7 million), savings on or cancellations of prior period obligations (\$43.2 million) and a prior period adjustment (\$7.8 million), an allocation from fund balance of (\$181.1 million) and a return of allocated fund balance (\$1.2 million). Total unpaid assessed contributions as at 30 June 2000, amounting to \$621.5 million, reflect a decrease of \$49.5 million.

30. Statement XXV presents the financial position of the United Nations Observer Mission in Liberia (UNOMIL), which is under liquidation. No expenditure was incurred during the financial period, as the Mission ceased operation in June 1998. The change in fund balance was derived from interest and miscellaneous income (\$0.6 million), savings on or cancellation of prior period obligations (\$0.6 million)

and a prior period adjustment (\$0.1 million). Total unpaid assessed contributions as at 30 June 2000, amounting to \$5.4 million, reflect a decrease of \$0.2 million.

31. Statement XXVI presents the financial position of the Military Observer Group of the United Nations Verification Mission in Guatemala (MINUGUA). No expenditure was incurred during the financial period, as the Mission ceased operation in May 1997. The change in fund balance was derived from interest income (\$0.1 million) and a prior period adjustment (\$0.9 million). Total unpaid assessed contributions as at 30 June 2000 remained at \$0.2 million.

32. Statement XXVII presents the financial position of the United Nations Military Liaison Team in Cambodia (UNMLT). No expenditure was incurred during the financial period, as the Mission ceased operations in November 1994. The minor change in fund balance was derived from interest income. Total unpaid assessed contributions as at 30 June 2000 remained at \$13,000.

33. Statement XXVIII presents the financial position of the United Nations Assistance Mission for Rwanda (UNAMIR) and the United Nations Observer Mission Uganda-Rwanda (UNOMUR), which are under liquidation and ceased operations in April 1996. No expenditure was incurred during the reporting period. The change in fund balance was derived from interest and miscellaneous income (\$1.6 million), savings on or cancellation of prior period obligations (\$0.2 million) and a prior period adjustments (\$0.2 million). Total unpaid assessed contributions as at 30 June 2000, amounting to \$24.9 million, reflect a decrease of \$0.9 million.

34. Statement XXIX presents the financial position of the United Nations Mission in Haiti (UNMIH), which ceased operations on 31 July 1996. The change in the fund balance for the period ending 30 June 2000 is due to interest and miscellaneous income (\$3.5 million), and savings on or cancellation of prior period obligations (\$0.9 million). Total unpaid assessed contributions as at 30 June 2000, amounting to \$7.3 million, reflect a decrease of \$0.8 million.

35. Statement XXX presents the financial position of the United Nations Operation in Mozambique (ONUMOZ), which ceased operations on 31 March 1995. The change in the fund balance is derived from miscellaneous income (\$0.4 million), savings on or cancellation of prior period obligations (\$1.8 million) and prior period adjustments (\$5.2 million). Total unpaid assessed contributions as at 30 June 2000, amounting to \$19.1 million, reflect a decrease of \$1 million.

36. Statement XXXI presents the financial position of the United Nations Operation in Somalia (UNOSOM), which ceased operations on 28 February 1995. A substantial number of liabilities could not be discharged, since a number of Member States have not paid their full assessed contributions for this operation. The change in the fund balance for the period ending 30 June 2000 resulted from interest and miscellaneous income (\$0.9 million), savings on or cancellation of, prior period obligations (\$5.4 million), and a prior period adjustment (\$1.2 million). Total unpaid assessed contributions as at 30 June 2000, amounting to \$233.8 million, reflect a decrease of \$50.7 million.

37. Statement XXXII presents the accounts of the United Nations Transitional Authority in Cambodia (UNTAC), which completed most of its activities in November 1993. The former special account for the United Nations Advance Mission in Cambodia (UNAMIC) preceded UNTAC and UNMLT (statement XXVII) followed completion of the main activities of UNTAC. By its resolution

52/239 of 26 June 1998, as an ad hoc arrangement, the General Assembly decided to apportion among Member States the amount of \$32.6 million gross (\$25.7 million net) appropriated by it in resolution 48/255 of 26 May 1994, to be offset by an equal amount from miscellaneous income. However, all resources from miscellaneous income had already been fully utilized to defray previously incurred expenditures by the Mission and was therefore unavailable and resulted in insufficient assessments to cover budgetary requirements. In the same resolution, the Assembly decided to appropriate \$17.7 million and to apportion the same amount among Member States to meet the additional requirements of UNTAC. A report, currently being prepared for submission to the General Assembly, contains a request for additional appropriations to eliminate the deficit in the fund balance. Total unpaid assessed contributions as at 30 June 2000, amounting to \$45.7 million, reflect a decrease of \$1.7 million.

38. Statement XXXIII presents the financial position of the United Nations Observer Mission in El Salvador (ONUSAL). The slight increase in the fund balance represents interest income and prior period adjustments. Total unpaid assessed contributions as at 30 June 2000, amounting to \$2.9 million, reflect a decrease of \$0.2 million.

39. Statements XXXIV to XXXVII present the financial positions of United Nations Transition Assistance Group (UNTAG), which completed its mandate on 30 June 1991 (statement XXXIV), UNIIMOG, which completed its mandate on 31 March 1991 (statement XXXV), the ad hoc account for the United Nations Operation in the Congo (ONUC), completed its mandate on 30 June 1964 (statement XXXVI) and the Special Account for UNEF (statement XXXVII), which completed its mandate on 30 June 1967 (1956). The ad hoc account for ONUC and the accounts of the Special Account for UNEF remain open because various liabilities cannot be discharged, since a number of Member States have not paid their full assessed contributions for those operations.

Annex

Supplementary information

1. The present annex includes supplementary information that the Secretary-General is required to report.

Write-off of losses of cash and receivables

2. In accordance with financial rule 110.14, the Controller or, when required, the Secretary-General, after full investigation has approved write-offs for the financial period from 1 July 1999 to 30 June 2000 totalling \$963,297 for peacekeeping operations. In each case, it was determined in the light of the facts known at the time that: (a) the responsibility for the loss could not be fixed and attached to any official of the United Nations; (b) every effort had been made to collect the amounts due; and (c) further collection efforts would be fruitless.

Write-off of losses of property

3. Property losses at various peacekeeping operations that have been received by the Headquarters Property Survey Board and approved by the Controller amounted to \$27.1 million (based on their original costs) for write-off in accordance with financial rule 110.15 during the financial period. Those write-offs brought the recorded balances of the properties to the same levels as those shown in the property records for the actual quantities on hand. The details of the amounts written off were reported to the Board of Auditors in accordance with the provisions of financial rule 110.10 (b).

Chapter II

Report of the Board of Auditors

Summary

The Board of Auditors has audited the United Nations peacekeeping operations at Headquarters, three field missions funded from the regular budget, ten missions funded from special assessed contributions, six missions in liquidation and the United Nations Logistics Base at Brindisi, Italy. The Board also validated the financial statements for peacekeeping operations with special accounts for the financial period ending 30 June 2000 and conducted two special reviews at the request of the General Assembly, as noted in paragraph 5 below.

The Board's main findings are as follows:

(a) Approximately \$39.9 million in certified claims, representing valid expenditure, had not been accrued for and recognized as liabilities in the financial statements for the period ended 30 June 2000, but rather, were disclosed as contingent liabilities in the notes to those statements;

(b) Obligations amounting to approximately \$2.1 million were not supported by valid obligating documents. In addition, obligations amounting to approximately \$7.2 million were incorrectly raised against the 1999/2000 budget in respect of contracts effective, and goods and services received, after 30 June 2000;

(c) Verification reports in respect of contingent-owned equipment received from one mission were unduly delayed. Also, the function of comparison of the verification reports to the memoranda of understanding is duplicated at two sections within the Department of Peacekeeping Operations;

(d) Opening balances on inventory reports supporting the value of non-expendable equipment disclosed in the financial statements differed from the closing balances as disclosed in the financial statements for the prior financial period ended 30 June 1999;

(e) The Board noted various discrepancies regarding the information contained in the field assets control system, which is used to determine the underlying value of non-expendable equipment. Accordingly, the Board could not obtain assurance that the value of non-expendable equipment as disclosed in the financial statements for the financial period ended 30 June 2000 is reasonable;

(f) The Board tested a sample of 10 closed procurement files at Headquarters, representing procurements totalling approximately \$15.8 million and noted that for all 10 files, vendor performance evaluations were outstanding;

(g) Outstanding obligations increased significantly at Headquarters and the missions towards the end of the financial year, indicating the lack of proper procurement planning;

(h) Two missions had raised miscellaneous obligating documents totalling approximately \$6.4 million for transportation services and purchase of goods and services, in contravention of the United Nations Finance Manual;

(i) A mission in liquidation entered into an agreement with the host Government to dispose of assets for approximately \$8.3 million. However, an amount of approximately \$7.5 million arising from the sales transaction and owing to the United Nations had not been fully disclosed as accounts receivable as at 30 June 2000;

(j) As at 8 November 2000, approximately 20 per cent, representing 1,029 of the total authorized posts of 5,048, remained vacant resulting in missions experiencing continued difficulties in meeting operational objectives;

(k) At one mission, the delay in preparing, reviewing and approving bank reconciliations resulted in transactions amounting to approximately \$1.5 million not being recorded in a timely manner;

(l) There were varying degrees of deficiencies and areas for improvement with regard to general computer controls in electronic data processing environments;

(m) In general, peacekeeping missions do not comply with a formal policy on environmental matters, nor is there an environmental management system which, inter alia, promotes staff awareness of environmental issues relevant at the missions and initiatives to address environmental concerns.

The Board's main recommendations are that the Administration should ensure compliance with the United Nations accounting standards and the Financial Regulations and Rules of the United Nations; timely processing of transactions; accurate and complete information on non-expendable equipment; proper procurement planning and evaluation; and should implement urgent measures to fill vacant posts.

A list of the Board's main recommendations is included in paragraph 11 of the present report.

A. Introduction

1. The Board of Auditors has audited the financial statements of the United Nations peacekeeping operations for the period from 1 July 1999 to 30 June 2000 in accordance with General Assembly resolutions 74 (I) of 7 December 1946, 47/211 of 23 December 1992 and 49/233 A of 23 December 1994. The audit has been conducted in conformity with article XII of the Financial Regulations and Rules of the United Nations and the annex thereto and the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. Those standards require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

2. The audit was conducted, inter alia, to enable the Board to form an opinion as to whether the expenditures recorded in the financial statements for the period from 1 July 1999 to 30 June 2000 had been incurred for the purposes approved by the governing bodies; whether income and expenditures were properly classified and recorded in accordance with the Financial Regulations and Rules; and whether the financial statements of the United Nations peacekeeping operations presented fairly their financial position as at 30 June 2000. The audit included a general review of financial systems and internal controls and a test examination of accounting records and other supporting evidence to the extent the Board considered necessary to form an opinion on the financial statements.

3. Pursuant to paragraph 6 of General Assembly resolution 47/211, the Board continued to maintain its expanded audit coverage both at Headquarters and at the field missions. The audit coverage included missions in liquidation as well as the United Nations Logistics Base at Brindisi, Italy. The missions audited are listed in annex I to the present report of the Board of Auditors.

4. In addition to the audit of the accounts and financial transactions, the Board carried out reviews, under regulation 12.5, of the financial procedures, the internal financial controls and, in general, the administration and management of peacekeeping operations. The General Assembly requested the Board to follow up on previous recommendations and to report to it accordingly.

5. The present report also addresses, in the paragraphs identified below, the special requests made by the General Assembly, namely:

(a) To continue to audit the implementation of the reformed procedures for determining reimbursement of Member States for contingent-owned equipment (resolution 54/19 of 29 October 1999, para. 10);

(b) To follow up on the measures taken by the Administration to significantly reduce the overdue amounts from staff and the time period for which they remain outstanding (resolution 54/13 C and report of the Advisory Committee on Administrative and Budgetary Questions (A/54/801)) (paras. 19-20).

6. The Board continued its practice of reporting to the Administration the results of specific audits in management letters, containing detailed observations and recommendations. A total of 17 management letters were issued to the Administration in respect of the audit of the United Nations peacekeeping operations for the financial period ended 30 June 2000.

7. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and conclusions were discussed with the Administration whose views, where appropriate, have been reflected in the report.

8. A summary of the Board's main recommendations is contained in paragraph 11 of the present report. The detailed findings are discussed in paragraphs 13 to 168.

9. In accordance with General Assembly resolution 48/216 B of 23 December 1993, the Board also reviewed the measures taken by the Administration to implement the recommendations made in its report for the financial period ending 30 June 1999.¹ Details of the action taken and the comments of the Board are set out in annex II to the present report.

1. Previous recommendations not fully implemented

10. In accordance with section A, paragraph 7, of General Assembly resolution 51/225 of 3 April 1997, the Board has reviewed the action taken by the Administration to implement the recommendations made in its report for the period ended 30 June 1998² and confirms that, generally, there are no outstanding matters except for those addressed in the present report in paragraphs 14 and 52.

2. Main recommendations of the present report:

11. The Board's main recommendations are that:

(a) **The Administration should ensure that valid expenditure incurred in a financial period should be accrued in the same financial period (para. 18);**

(b) **The Administration should ensure that rule 104.1 of the Financial Regulations and Rules of the United Nations, which requires obligations to be supported by appropriate valid obligating documents, are adhered to and also that obligations are raised in the correct financial period against the appropriate budgeted amounts (para. 27);**

(c) **Field missions should send verification reports in respect of contingent-owned equipment directly to the Finance Management and Support Service, where the comparison to the memoranda of understanding should be performed (para. 59);**

(d) **The Administration should reconcile all differences in inventory reports, to be based on the field asset control system, and implement measures to ensure that the system is complete, continuously updated and accurately maintained (paras. 67 and 80);**

(e) **The Administration should ensure that supplier evaluations are completed on a timely basis (para. 89);**

(f) **The Administration should undertake a review of resources currently available to meet peacekeeping procurement needs, establish more systems contracts where possible and encourage proper procurement planning (para. 95);**

(g) **The Department of Peacekeeping Operations should re-emphasize the need for missions to comply fully with established procedures regarding the use of miscellaneous obligating documents (para. 112);**

(h) The Administration should implement measures to ensure that the Liquidation Unit takes responsibility for the overall monitoring and coordination of the liquidation process, that staff have proper access to application systems and that staff are appropriately qualified and experienced in all facets of the liquidation process (para. 124);

(i) The Administration should implement urgent measures to expedite the filling of vacant posts at peacekeeping missions (para. 144);

(j) The Administration should review the extent of compliance with current electronic data-processing policies and guidelines by peacekeeping missions, with a view to improving protocols that ensure sound controls and procedures (para. 161);

(k) The Administration should formulate an environmental management system to address environmental issues and ensure compliance with policies as it relates to peacekeeping operations (para. 164).

12. The Board's other recommendations are set out in paragraphs 22, 39, 45, 53, 63, 72, 85, 99, 103, 106, 109, 117, 121, 126, 131, 135, 137, 141, 147 and 153.

B. Financial issues

1. United Nations accounting standards

13. The Board assessed the extent to which the financial statements of the United Nations peacekeeping operations for the financial period ended 30 June 2000 conformed to the United Nations accounting standards. The review indicated that the financial statements were generally consistent with the standards to the extent of the issues raised in the present report, specifically in paragraphs 14, 21, 36, 38 and 140.

2. Liabilities not recognized in the accounts

14. Contingent liabilities amounting to approximately \$68 million are disclosed as note 9 to the financial statements for the year ended 30 June 2000. Approximately \$39.9 million (59 per cent) of the total amount of contingent liabilities is in respect of claims that had been certified by the Department of Peacekeeping Operations as being valid, but which had not been recognized in the accounts, as funds had not been reserved for the accrual of such expenditure. The liability of \$39.9 million is attributable to certified claims received for UNOSOM (\$37.8 million) and UNAMIR (\$2.1 million), and is for claims based primarily on the old system of reimbursement for contingent-owned equipment.

15. Accordingly, the Board is of the opinion that the financial statements of the United Nations peacekeeping operations for the financial period ended 30 June 2000 is understated by an amount of approximately \$39.9 million in respect of both expenditure and consequently, liabilities, since valid expenditures were incurred during the current period.

16. The Board had expressed concern, in its report¹ on peacekeeping operations for the period ended 30 June 1999, on valid claims submitted by troop-contributing countries not being recognized in the accounts because of the lack of obligations. However, the Board is pleased to note that the non-accrual of certified claims has

decreased by \$109.1 million (73 per cent) from \$149 million in the prior financial period ended 30 June 1999 compared to \$39.9 million in the current period ended 30 June 2000. This improvement is partly attributable to the vigorous efforts of the Administration to clear a major portion of outstanding claims for UNPROFOR which were either paid or recorded as accounts payable in the accounts as at 30 June 2000.

17. The Administration is of the opinion that since the funding for the claims is unavailable, it is not possible to obligate such amounts until a future action is taken by the General Assembly on appropriations for funding such claims and therefore, the claims are recognized as a contingent liability pending future decisions by the General Assembly. The Board is of the view that the claims represent a present obligation, as it relates to benefits already received in the current period by the United Nations, as verified by the Department of Peacekeeping Operations.

18. The Board reiterates the recommendation made in its report on peacekeeping operations for the period ended 30 June 1999 that valid expenditure incurred in a financial period should be accrued in the same financial period and encourages the Office of Programme Planning, Budget and Accounts in conjunction with the Department of Peacekeeping Operations to continue to improve on processes ensuring accurate financial reporting.

3. Accounts receivable

Staff debts

19. The General Assembly, in its resolution 54/13 C, endorsed the observations and recommendations contained in the report of the Advisory Committee on Administrative and Budgetary Questions (A/54/801). In its report, the Advisory Committee had requested the Board of Auditors to follow up on the measures taken by the Administration to significantly reduce both the overdue amounts from staff and the time period for which they remain outstanding.

20. Although a number of long outstanding staff debts were identified and brought to the Administration's attention, the Board was pleased to note that there had been a general improvement in the recoverability of staff debts and that the debts identified were not material. The Board encourages the Administration to continue with its efforts to recover outstanding staff debts.

Accounting standards

21. The Board noted that, contrary to section 46 of the United Nations accounting standards, UNIFIL set off the accounts payable balance of \$110,687 against the accounts receivable account of \$349,583, as at 30 June 2000.

22. The Board recommends that the Administration ensure that missions adhere to the United Nations accounting standards and implement measures to monitor such compliance.

23. The Administration informed the Board that the Mission has put in place measures to ensure that accounts payable and receivable balances are disclosed separately and in gross terms in future trial balances.

4. Unliquidated obligations

24. The Board noted that, in most missions, unliquidated obligations were generally followed up on a periodic basis to ensure the validity of the amounts retained in the accounts.

25. Rule 104.1 of the Financial Regulations and Rules of the United Nations requires that “an outstanding legal obligation is to be based on a contract, purchase order, agreement or other form of undertaking by the United Nations or based on a liability recognized by the United Nations, which obligation is supported by an appropriate obligating document”. However, at UNTAET, obligations amounting to approximately \$2,100,273 in respect of rations were not supported by valid obligating documents.

26. The Board’s review of the validity of unliquidated obligations at UNMIK indicated that not all obligations raised were valid for the 1999/2000 financial period. Obligations amounting to approximately \$7.2 million were incorrectly raised against the 1999/2000 budget as in some cases, the obligations related to contracts effective after 30 June 2000 while in other cases, UNMIK had not received goods or services until after the year ending 30 June 2000.

27. The Board recommends that the Administration implement procedures to ensure that rule 104.1 of the Financial Regulations and Rules of the United Nations, which requires obligations to be supported by appropriate valid obligating documents, are adhered to and also to ensure that obligations are raised in the correct financial period against the appropriate budgeted amounts.

28. The Administration informed the Board that the audit findings in respect of UNTAET were by their nature exceptional and that the mission had taken note of the need to comply strictly with rule 104.1. For its part, UNMIK has acted on the Board’s recommendation by implementing measures to ensure proper procurement planning and a continuous review of obligations.

5. Liabilities for end-of-service and post-retirement benefits

29. The Board notes that liabilities for end-of-service and post-retirement benefits, as disclosed in subparagraphs (a) and (b) of note 10 to the financial statements for the period ended 30 June 2000, are in respect of the United Nations in its entirety as determined at 31 December 1999. Consequently, the information disclosed in note 10 does not specifically indicate the liabilities attributable to human resources allocated to peacekeeping operations, as at 30 June 2000.

30. The Administration informed the Board that, based on the current methodology of collecting statistical information, it is not possible to specifically indicate the liabilities attributable to human resources allocated to peacekeeping operations as at 30 June 2000.

31. The Board is pleased to note that the Office of Programme Planning, Budget and Accounts anticipates that the full implementation of Release 4 of the Integrated Management Information System (IMIS) will make it possible to generate data specifically relating to each staff member, making it potentially possible to separately determine end-of-service contingent liabilities for peacekeeping operations in the future.

32. The Board welcomes the efforts of the Administration to determine the liabilities for end-of-service and post-retirement benefits specifically related to the United Nations peacekeeping operations, for disclosure in the annual financial statements.

6. Income

33. The Board noted that UNMIK has now signed memoranda of understanding with a number of non-governmental organizations and agencies, which reimburse the Mission for the cost of services provided to them. UNMIK charges these organizations an administrative fee of 14 per cent to cover its costs. The Board estimates that the Mission earned administrative fee income of some \$36,000 for the 1999/2000 financial year. UNMIK accounted for this income by netting it off against the costs of providing those services. Although the amount is not material, the Board's concern is with respect to the non-compliance of the Financial Rules, which require that the Mission should have recorded that income.

34. The Board recommended, and the Department of Peacekeeping Operations agreed, that missions should record administrative fee income in gross terms to ensure that the financial statements correctly represent the activities of the missions. The Board further suggests that the Department of Peacekeeping Operations disseminate such lessons learned to other missions in order to prevent the incorrect accounting treatment of income.

7. Voluntary contributions

35. In accordance with General Assembly resolution 44/192 A of 21 December 1989, voluntary contributions made in the form of services or supplies are credited to income or noted in the financial statements. In the same resolution, the Assembly took note of certain proposals on technical guidelines relating to the treatment and valuation of voluntary contributions in the form of supplies and services. Those guidelines include the provision that, where a voluntary contribution in kind is made as a grant in respect of supplies and services and for which there is no budgetary provision, no accounting entry will be made but the amount of the contribution will be reflected in a footnote to the financial statements.

36. As regards the memorandum of agreement between the host Member State and the United Nations regarding the use of premises by the United Nations Logistics Base at Brindisi, on military installations in the host country, the Board noted that the following services and supplies by the Member State, under this rent-free agreement, could be regarded as being voluntary contributions in kind, as follows:

(a) Free use of land, buildings, related utilities, facilities, appurtenances or parts thereof;

(b) External perimeter security and policing and control of access to the military installations on which the exclusive use premises are located.

37. Upon scrutinizing the June 2000 accounts submitted to Headquarters, the Board noticed detailed calculations in estimating the value of the land and buildings used free of charge. However, the Chief Finance Officer and Chief Administrative Officer of the Logistics Base certified that the exact commercial value of these provisions has not been determined. Furthermore, the Board found that an estimate

had not been made of the value of security services supplied free of charge by the host Government.

38. The Board also observed that the office building at UNTAET is provided to the mission free of charge, on condition that the land will only be used for the purpose of office, ancillary and car parking. However, this voluntary contribution in kind is not disclosed in the accounts of UNTAET and in the financial statements as at 30 June 2000, although the Administration subsequently informed the Board that the contribution has now been valued and will be reflected in future financial statements.

39. The Board recommends that the Logistics Base determine an appropriate value for the contributions in kind received, which should be disclosed in the notes to financial statements for peacekeeping operations.

40. The Administration has informed the Board that the discussion on the valuation of the voluntary contribution in kind in respect of the Logistics Base is ongoing with the host country and that its outcome will be reflected in future financial statements. The Board suggests that the Administration disseminate such lessons learned to other missions to ensure compliance with United Nations procedures in this regard.

8. Write-off of losses of cash, receivables and property

41. In accordance with rule 111.10(b) of the Financial Regulations and Rules of the United Nations, the Board was provided with details of cash, stores and other assets written off for the financial period ended 30 June 2000. A total amount of \$963,297 was written off in the financial statements for losses of cash, accounts receivable and notes receivable in compliance with rule 110.14(a), as compared with an amount of \$401,425 written off during the financial year ended 30 June 1999.

42. The Board noted that the amount of \$963,297 included \$664,604 (69 per cent) in respect of UNOSOM, a mission in liquidation, and that of the balance of \$298,693, only \$43,088 (4 per cent) was in respect of active peacekeeping missions.

43. In addition, as compared with an amount of \$68,254,837 written off during the financial period ended 30 June 1999, property losses amounting to \$27,073,602 (based on their original cost), representing a decrease of approximately 60 per cent from the prior financial period and covering 12 missions, were written off in accordance with financial rule 110.15 during the financial year ended 30 June 2000, as reported by the Headquarters Property Survey Board and identified in the table below. These losses resulted from damage (total loss by vehicle accident, fire, storm and other causes), as well as from shortages (including inventory discrepancy, loss and theft).

Table 1
Property losses for the period from 1 July 1999 to 30 June 2000
 (United States dollars)

<i>Mission</i>	<i>Inventory value submitted for write-off (a)</i>	<i>Cases pending headquarters recommendation (b)</i>	<i>Inventory value written off (a - b)</i>
MIPONUH	7 556 752	657 331	6 899 421
UNDOF	1 171 875	1 171 521	354
UNFICYP	89 877	89 434	443
UNMOT	2 764 399	-	2 764 399
UNTAET	3 986 875	3 986 875	-
UNMIK	52 451	113 747	38 704
UNOMIG	462 742	462 742	-
MINURSO	2 470 143	924 063	1 546 080
UNIFIL	4 955 273	3 542 441	1 412 832
UNLB	9 513 795	4 518 315	4 995 480
UNMIBH	12 223 285	2 807 396	9 415 889
UNIKOM	2 204 687	2 204 687	-
Total	47 552 154	20 478 552	27 073 602

44. Although the Board is pleased to note the improvement in the amount of property write-offs, it remains concerned by the amount of United Nations property losses, especially for active peacekeeping missions, which amounted to approximately \$17,409,782, 64 per cent of the total value written off, with a further amount of \$19,821,221 pending United Nations Headquarters recommendation for write-off.

45. The Board recommends that the Administration emphasize the importance of proper custody of United Nations property to all peacekeeping missions.

46. The Administration indicated that it would convey the Board's recommendation to all peacekeeping missions through the Department of Peacekeeping Operations.

9. Ex gratia payments

47. The Administration informed the Board that no ex gratia payments had been made during the financial period ended 30 June 2000.

C. Management issues

1. Contingent-owned equipment

48. At its fifty-fourth session, the General Assembly, by its resolution 54/19, requested the Board of Auditors to continue to audit the implementation of the reformed procedures for determining reimbursement to Member States for contingent-owned equipment and to report thereon.

Peacekeeping database and contingent-owned equipment management system

49. The General Assembly, by its resolution 50/222 of 11 April 1996, adopted the reformed procedures for determining reimbursement to troop-contributing countries for contingent-owned equipment used in peacekeeping missions, effective from 1 July 1996. In missions such as UNIFIL, which were in operation before 1 July 1996, troop-contributing countries that were deployed before that date have the option of being reimbursed in accordance with either the new or the old system.

50. The Board noted that the computation of reimbursement on the new system is more effective and efficient, owing to the simplification of the process, while the computation of claims based on the old methodology results in a longer process.

51. The peacekeeping contingent-owned equipment management system database used to process the calculation of the reimbursement to Member States for contingent-owned equipment is reasonable and generally well controlled. The Board is pleased to note that the system also maintains its simplicity, and thereby its effectiveness, by not allowing for splits within individual categories of self-sustainment.

52. However, the contingent-owned equipment management system's specifications and reimbursement rates had not been revised since July 1996.

53. The Board recommends that the Administration take appropriate action to review the rates used for determining the reimbursement for contingent-owned equipment to ensure the reasonableness of reimbursement costs.

54. The Administration informed the Board that the General Assembly's post — Phase V Working Group, which was scheduled to meet in January 2001, has been mandated to review the rates used for determining the reimbursement for contingent-owned equipment and that the Secretariat will provide the necessary support to the Working Group to facilitate its work.

Delays in the processing of COE claims

55. The Board evaluated the flow of documentation which leads to the reimbursement to Member States for contingent-owned equipment and inspected verification reports and claims for UNMIK and MINURCA. With respect to UNMIK, the Board inspected reports on special police units provided by two Member States, while for MINURCA, the Board inspected reports on infantry battalions of three Member States.

56. The reformed procedures for reimbursement to Member States on contingent-owned equipment is generally being carried out on a timely basis in respect of UNMIK. However, the Board noted that, with respect to MINURCA, there is a considerable delay from when verification reports are received at the Logistics and Communications Service for examination, to when they are transferred from the Service to the Finance Management and Support Service for processing. Delays at the Logistics and Communications Service for infantry battalions of two Member States ranged from 14 to 17 months before reports were sent to the Finance Management and Support Service for further processing. This, in turn, results in delays in the processing and certification of claims for payment to Member States on contingent-owned equipment.

57. The Board also observed cases in which MINURCA had submitted verification reports to the Logistics and Communications Service on a monthly basis, and yet the reports had accumulated for between six to nine months before being forwarded to the Finance Management and Support Service for processing. The Board acknowledges the fact that in some cases, the memoranda of understanding may not be signed and that payment would therefore not be made to the troop-contributing country even if the verification reports were processed. However, the regular processing of these claims would facilitate timely reimbursement once the memoranda of understanding has been concluded.

58. A fundamental stage in the reformed procedures for reimbursement on contingent-owned equipment is the comparison of verification reports from the field to the memoranda of understanding. Through discussions with officers at the Logistics Operations Section of the Logistics and Communications Service and the Claims and Information Management Section of the Finance Management and Support Service, the Board discovered that this verification procedure is performed at both sections. This duplication of tasks could also cause delays in processing reimbursement claims.

59. The Board recommends that the Administration instruct field missions to send verification reports in respect of contingent-owned equipment directly to the Finance Management and Support Service, where the comparison with the memoranda of understanding should be performed.

60. Furthermore, the Board suggests that the Logistics and Communications Service should be involved in the process by assisting the Field Management Support Service section on “self-sustainment verification”, in view of the complexities that may arise in this area, as well as in any other exceptional cases.

61. The Administration concurs with the Board’s recommendation and the Department of Peacekeeping Operations will issue the necessary directives for its implementation.

Submission of verification reports

62. The Board selected a sample of five troop-contributing countries at UNAMSIL for which the memoranda of understanding were signed between January and May 2000. However, the Board noted that UNAMSIL had only submitted verification reports to the Logistics and Communication Service during November and December 2000, after the Department of Peacekeeping Operations had followed up on the outstanding reports following a recommendation by the Board. The Policies and procedures concerning reimbursement and control of contingent-owned equipment of troop-contributing countries, (chap. 3, paragraph 4), specifically stipulate that, the United Nations missions are also required to report monthly to United Nations Headquarters, through the missions’ Chief Administration Officer, the condition and availability of the major equipment and the satisfactory provision of self-sustainment. These reports serve as a basis for computing the reimbursement due to troop-contributing countries on contingent-owned equipment and the delay in the submission of verification reports delays this reimbursement process.

63. The Board recommends that the Department of Peacekeeping Operations should ensure that all verification reports are submitted by the missions in a

timely manner to facilitate prompt processing of reimbursements to Member States for contingent-owned equipment.

2. Non-expendable property

Non-expendable equipment

64. The Board noted that the opening balances on the inventory reports supporting the amounts as disclosed in note 8 to the financial statements (non-expendable equipment), for the financial period ending 30 June 2000, do not agree with the closing balances of non-expendable equipment as disclosed in the financial statements for the prior period ended 30 June 1999. Table 2 below details the differences noted.

Table 2
Differences in 1999/00 opening balances compared to 1998/99 closing balances
(in United States dollars)

<i>Mission</i>	<i>Financial statements 1998/99 closing balance</i>	<i>Adjustments</i>	<i>Inventory report 1999/00 opening balance</i>	<i>Difference</i>
UNFICYP	6 458 912		6 395 500	63 412
UNDOF	25 653 668		25 862 837	(209 169)
UNIFIL	93 195 619		91 105 313	2 090 306
UNIKOM	38 165 374	(15 500 000)	18 869 701	3 795 673
MINURSO	22 742 992		21 065 688	1 677 304
UNMIBH	64 394 411		55 612 324	8 782 087
UNOMIG	9 061 435		17 801 702	(8 740 267)
UNMOT	4 796 434		4 986 081	(189 647)
MIPONUH	19 853 036		14 246 619	5 606 417
UNLB	53 071 898		58 820 988	(5 749 090)
UNAMSIL	2 300 000		4 939 864	(2 639 864)

65. The Board also identified that the closing balances as at 30 June 2000, per the inventory reports for non-expendable equipment obtained from UNAMSIL and MINURSO, resulted in differences when compared to the inventory reports obtained from the Office of Programme Planning, Budget and Accounts (OPPBA). Table 3 below details these differences.

Table 3
Approximate differences in closing balances per inventory reports
(in millions of United States dollars)

<i>Mission</i>	<i>Mission inventory report</i>	<i>Headquarters inventory report</i>	<i>Difference</i>
UNAMSIL	18.2	21.0	2.8
MINURSO	21.4	23.9	2.5
Total	39.6	44.9	5.3

66. The Board reviewed the non-expendable property of UNOMIG recorded in the field assets control system, amounting to \$21,956,527, which revealed a difference of \$11,392,595, compared with the value reflected in the non-expendable property report, amounting to \$10,563,932 as at 30 June 2000. These non-expendable property reports should be based on the field assets control system and used to disclose the value of non-expendable equipment in the financial statements.

67. The Board recommends that the Administration reconcile all differences in inventory reports, to be based on the field assets control system and to implement measures ensuring accurate maintenance of inventory reports for disclosure of non-expendable equipment in the financial statements.

68. The Administration informed the Board that the deficiencies noted were mainly associated with the implementation of the field assets control system and that the primary responsibility for maintaining the system rested with the Department of Peacekeeping Operations. Accordingly, reconciliations would be done by that Department, while the Office of Programme Planning, Budget and Accounts would ensure that inventory reports received indicated correct opening balances when compared with closing balances disclosed at the end of the preceding financial period. Furthermore, any discrepancies will be disclosed in the financial statements.

Disposal and transfer of assets

69. At UNIFIL, non-expendable items to the value of \$93,513 were transferred to the Logistics Base on 22 July 1996, but were still recorded in the field assets control system as at 12 September 2000. At UNIFIL, UNOMIG and UNMIK, non-expendable equipment that was already written off had been recorded in the field assets control system. As the field assets control system is used to compile the inventory reports which the Office of Programme Planning, Budget and Accounts uses to prepare the note disclosure on non-expendable equipment, the value disclosed for non-expendable equipment in the financial statements of peacekeeping operations as at 30 June 2000 is overstated.

70. The Board noted variances between packing lists received from missions (liquidating and active) on goods transferred by them to the Logistics Base, and receiving and inspection reports issued by the Logistics Base on the goods actually received from the same missions.

71. Table 4 below sets out the variances in value between actual goods received and the values per the packing lists.

Table 4
Value of goods received and variance with packing lists
(in United States dollars)

	<i>Liquidating missions</i>	<i>Active missions</i>	<i>Total</i>
Goods received at the Logistics Base	8 407 339	8 863 736	17 271 075
Packing lists per mission	7 745 199	7 478 519	15 223 718
Variance	662 140	1 385 217	2 047 357

72. The Board recommends that the Administration instruct missions to process the transfer of non-expendable property with due care and to ensure that receiving parties inspect the goods on arrival, in a timely manner, to expedite the follow-up of discrepancies.

73. The Administration informed the Board that the deficiencies noted were mainly associated with the implementation of the field assets control system, but that measures had been introduced to improve the quality of information in the system on all peacekeeping missions.

Verification of non-expendable equipment

74. At UNOMIG, MINURSO and MONUC, the Board could not reconcile a sample of actual assets with what was recorded on the field assets control system database. At MINUGUA, the Board identified 23 new (DeskJet 520) printers at the General Services warehouse. The Board observed that, although the United Nations had acquired the printers during 1994 and transferred them to MINUGUA from the Logistics Base in August 1996, they had not been used as at 14 September 2000. The Board's discussions with key personnel at the warehouse revealed that the printers in question had only been discovered in August 2000 and had therefore never been accounted for, which also indicates that physical verification at the warehouse is inadequate. The Board regrets that a value has not been determined, owing to the absence records at MINUGUA in this regard and to the lapse of time because of the lapse of time since the date of the acquisition. At UNMIBH, the Board noted 337 series 386 desktop computers and 103 series 486 computer notebooks which, according to the guidance issued by the Electronics Services Section in New York, were obsolete but were still recorded in the field assets control system.

75. UNOMIG is in possession of non-expendable equipment (vehicles) received from other missions, although such equipment was not requested by UNOMIG. Furthermore, the equipment cannot be utilized because the cost of repairing it exceeds its book value.

76. UNOMIG had also received spare parts (including two containers of vehicle and tractor spare parts) and other equipment from various missions without having requested such equipment.

77. The Board is concerned about missions sending unnecessary vehicle spare parts and other equipment to UNOMIG and about the expenditure being incurred for unnecessary transportation costs.

Updating of the FACS database

78. At MINURSO, UNOMIG and MINUGUA, the Board noted many discrepancies with regard to the updating of the field assets control system when assets are moved from one location to another. Furthermore, in some instances at MINURSO and MINUGUA, the actual assets were not always barcoded and the bar coded information in the field assets control system was neither accurate nor complete. Delays in updating the system compromise the integrity of the database, thereby rendering its use ineffective.

79. The Board is concerned that since the observations noted in paragraphs 69 to 78 were made on transactions selected on a sample basis, there is a possibility that further material errors and omissions exist. These audit findings indicate that the value of non-expendable equipment, as disclosed in note 8 to the financial statements of peacekeeping operations for the year ended 30 June 2000, is inaccurate and that differences could be material, since the value disclosed is based on information recorded in the field assets control system. Consequently, the Board is unable to obtain assurances as to the reasonableness of the value of non-expendable equipment disclosed in the notes to the financial statements for the year ended 30 June 2000.

80. The Board recommends that the Administration implement measures to ensure that:

(a) All equipment written off is removed from the field assets control system in a timely manner;

(b) The transfer of inventories to other missions only occurs upon a request by the designated recipient and that the policy approved by the General Assembly in its resolution 52/1 A of 15 October 1997, to transfer only assets that have at least two years of useful life remaining and are serviceable or repairable for not more than 30 per cent of their depreciated value is enforced;

(c) The field assets control system is complete and reflects the actual non-expendable equipment on hand, by instructing missions to embark on full-scale inventory counts and to update the system accordingly;

(d) All redundant or obsolete equipment are identified, appropriately disposed of and deleted from the field assets control system;

(e) The field assets control system is updated and maintained in a timely manner by tracking all movement of equipment and recording bar code numbers;

(f) Staff are provided adequate training to fully implement and maintain the field assets control system.

81. The Administration informed the Board that the Department of Peacekeeping Operations has introduced measures to improve the quality of information in the field assets control system of all peacekeeping missions. These measures include training of staff members on the system, periodic physical inventory counts, provision of all non-expendable property items with bar codes, and the updating of field assets control system databases of the missions on a more regular basis. In addition, the Department of Peacekeeping Operations will remind all missions that

only property meeting United Nations Headquarters approval should be transferred to other missions.

3. Procurement

Procurement planning

82. The submission of procurement plans is aimed at enabling the Procurement Division to establish realistic times for the activities involved and at spreading contract renewal times proportionally over the period covered by those plans. The Procurement Manual emphasizes that procurement planning is essential for the effective and timely solicitation of bids or proposals, the award of contracts and the delivery of the goods and services required. Requisitioners are responsible for developing their procurement plans in cooperation with the Procurement Division at Headquarters or with the respective procurement services at offices away from Headquarters, as is the case with peacekeeping missions.

83. The Board found that UNDOF and UNAMSIL and, to a lesser extent, the Logistics Base, are not guided by any appropriate procurement plan, which may result in similar items being purchased on a piecemeal basis. In the case of the Logistics Base, most sections had submitted procurement plans, but without the involvement of all sections, an overall procurement plan cannot be successfully implemented.

84. The Board also noted that UNOMIG made use of different types and makes of vehicles, which necessitated a large inventory of spare parts. A proper and effective procurement plan would reduce the need for maintaining large inventories of diverse spare parts.

85. The Board reiterates the recommendation made in its report on peacekeeping operations for the period ended 30 June 1999¹ that the Administration remind missions to submit procurement plans based on inputs received from all sections in order to facilitate sound procurement principles, including the benefits of bulk purchasing and improved cash management.

86. The Administration has informed the Board that the Department of Peacekeeping Operations has sent facsimile messages to all missions, as well as to the Logistics Base, to prepare their procurement plans within the context of the proposed budget for the next fiscal year, and that the Logistics Base has also issued reminders to section chiefs to comply with the directive from Headquarters regarding the preparation of a procurement plan.

Monitoring of vendor performance

87. The General Assembly, in its resolution 51/231 requested that the Secretary-General develop a standard procedure for the preparation of suppliers' performance evaluations. The Secretary-General agreed to the request and the procedure was implemented effectively as of 1 October 1998. The Procurement Division and requisitioners play an important role in ensuring that the goods and services are procured from vendors with a satisfactory performance level.

88. The Board tested a sample of 10 closed procurement files at Headquarters, with procurements totalling approximately \$15.76 million to evaluate whether the procedure is being complied with. The results of the tests indicated that, for all 10

files, supplier performance evaluations were pending. The Board further observed that the Procurement Division had forwarded the supplier evaluation forms to the requisitioners in the Field Administration and Logistics Division in February 2000, but that no responses had been received, although the supplies had been delivered to the field missions. As a result, the procurement files had been closed prior to evaluation.

89. The Board reiterates the recommendation made in its report on peacekeeping operations for the period ended 30 June 1999 that the Administration ensure that supplier evaluations are completed on a timely basis.

90. The Department of Peacekeeping Operations has informed the Board that it has issued a reminder to all missions to submit supplier evaluations on all contracts above \$200,000, and that it has implemented a follow-up system to better monitor the submission of those reports.

Delays in the procurement process

91. The Board inspected requisitions created in the Field Administration and Logistics Division for the 1999/2000 financial period and observed that requisitions with a value of \$2.6 million could not be obligated after the closure of the accounting records on 20 September 2000. The requisitions had been approved by the Finance Section for certification of funds, but the Procurement Division had been unable to process the purchase orders on a timely basis, owing in part to the concentrated receipt of requisitions towards the end of the fiscal year. Approximately \$1.58 million (61 per cent) of the amount of \$2.6 million was in respect of requisitions for electronic data-processing equipment.

92. The Board noted that only three procurement officers were available for the procurement of electronic data processing-related requisitions for missions, projects and Headquarters. The Board also confirmed that there were no existing system contracts for electronic data-processing equipment as at 30 June 2000, which contributed to the delay in the processing of requisitions. However, the Board is pleased to note that, subsequently, at the time of the audit, two systems contracts were in place for the procurement of electronic data-processing equipment.

93. The Board observed that there has been a substantial (149 per cent) increase in the number of requisitions created at the Field Administration and Logistics Division, from 446 in the 1998/1999 financial year to 1,112 in the 1999/2000 financial year, which is mainly a result of the recent expansion of peacekeeping operations. However, vacancies in the Procurement Division increased by 2 Professional staff since the 1998/1999 financial period. Although the staff establishment provides for 30 posts, only 23 posts were occupied at the time of the audit; recruitment against 5 vacant posts was ongoing. Owing to the high volume of work and lack of human resources, the requisitions were not processed in a timely manner.

94. The Board also noted that from a total of 1,112 requisitions, 270 (24 per cent) had been submitted during May and June 2000. Similarly, more than 90 per cent of the outstanding obligations pertaining to UNTAET and approximately 52 per cent of those of UNIFIL as at 30 June 2000 had been obligated in June 2000. UNMIK unliquidated obligations increased from \$11.5 million in mid-April 2000 to \$18

million in May 2000 and to \$29.5 million at 30 June 2000, representing some 20.3 per cent of total expenditure. The Board also noted that of the 1,140 purchase orders that UNMIK issued during the financial year approximately 44 per cent had been issued in the two months ending on 15 July 2000. The Administration informed the Board that, in the case of UNIFIL, the late obligations were due to developments in the area.

95. The Board recommends that the Administration undertake a review of current resources available to meet peacekeeping procurement needs, establish more systems contracts where possible and encourage proper procurement planning.

96. The Board is pleased to note that the Procurement Division has subsequently readjusted the composition of staff responsible for electronic data-processing equipment. The Secretariat of the Headquarters Committee on Contracts concurs with the Board's recommendation that proper procurement planning on the part of the requisitioners should be encouraged. The Department of Peacekeeping Operations strongly supports the establishment of a fully resourced peacekeeping section dedicated to its procurement requirements.

97. The Board identified that Chief Procurement Officers at the field missions have minimum contact with the Procurement Division at Headquarters, and instead utilize the Field Administration and Logistics Division for that purpose. Requisitions above the delegated amount are submitted by the field missions to the Procurement Division via the Field Administration and Logistics Division and also from the Procurement Division to the Headquarters Committee on Contracts via the Field Administration and Logistics Division. The Board acknowledges the role of the Field Administration and Logistics Division in the procurement process and the value-adding activities performed. Nevertheless, the Board finds the process to be unduly lengthy. The Administration could consider involving the Field Administration and Logistics Division only once in the process, that is, before submissions to the Headquarters Contracts Committee.

98. The Board encourages increased communication between the chief procurement officers at field missions and the Procurement Division at Headquarters. This communication should be utilized as a tool for the efficient exchange of technical and professional expertise and serve as a support structure for procurement officers in the field.

99. The Board recommends that the Administration review the procurement process and the role of each section, taking into consideration the significance of adding value to the process, preventing duplication of efforts and reducing procurement lead-time.

100. The Department of Peacekeeping Operations supports the concept of more direct communication on technical procurement matters between the Procurement Division and field missions although the overall responsibility of missions to the Department for the operational management and sustainment of support needs to be maintained. The Administration informed the Board that further aspects of procurement reform are being reviewed and followed up in the context of the report of the Panel on United Nations Peace Operations (A/55/305-S/2000/809).

101. In three of the missions audited (UNAMSIL, UNIFIL and MONUC), the Board noted that delivery of goods and services had been delayed. Furthermore, in

the case of UNAMSIL, staff were not adequately trained to prepare proper requisitions and to use the Reality System which also delayed the procurement process. In its report on peacekeeping operations for the financial period ended 30 June 1999, the Board suggested inserting penalty clauses into purchase orders for all critical procurement areas, thereby allowing missions to withhold part of a payment should a vendor fail to deliver on time. Currently, the Procurement Manual provides for a liquidated damages clause to be referred to in contracts with vendors.

102. The Board encourages the Administration to facilitate the necessary training of staff to ensure that requisitions are processed in a timely manner and to evaluate suppliers' performance for prompt delivery.

103. The Board recommends that the Administration evaluate the effectiveness of the liquidated damages clause in procurement contracts as a mechanism for ensuring prompt delivery by vendors.

104. The Administration informed the Board that UNIFIL now sends reminders to suppliers prior to delivery dates and also biweekly to suppliers with past delivery dates, while MONUC maintains close contact with vendors to ensure prompt delivery. MONUC will also expand the vendors' roster, which will be updated using evaluations of vendor performance.

105. The Board observed that there are delays in the issuing of receiving and inspection reports at MINURSO of up to 3 months after the actual date of receipt of goods. The Board acknowledges that there may be significant delays in the issuing of receiving and inspection reports, particularly when goods and services are provided at remote locations, and that the official in charge at the location concerned, performs actual receiving and inspection control functions. However, delays in issuing reports confirming the receipt of goods in the proper condition and quantity negates the effects of such a control and complicates the follow-up of discrepancies.

106. The Board reiterates the recommendation made in its report on peacekeeping operations for the period ended 30 June 1999¹ that the Administration implement measures to ensure that, for all goods received by field missions, receiving and inspection reports are issued on a timely basis thus facilitating a more efficient procurement process.

107. The Administration informed the Board that the MINURSO management has reminded the Procurement Section to comply fully with the established procedures on receiving and inspection reports.

Independence

108. The Board determined that the staff members in the procurement sections of missions and the members of Local Contracts Committees do not complete declarations of independence confirming that they do not have any interest in the vendors from which they are procuring or planning to procure goods and services.

109. In order to ensure that goods and services are procured economically and that the tender process is transparent and equitable, the Board recommends that all staff members in procurement sections and the members of Local Committees on Contracts complete declarations confirming their independence in relation to vendors or potential vendors.

110. The Administration informed the Board that UNIFIL had designed a form which will be completed by the appropriate staff members.

Miscellaneous obligating documents

111. The Board noted that UNTAET and UNIFIL had raised miscellaneous obligating documents, amounting to \$5,745,000 and \$612,685, respectively, for transportation services and the purchase of goods and services, in contravention of section 6.023 (c) of the United Nations Finance Manual, which prohibits the use of those documents for such expenses. The Administration informed the Board that UNIFIL had been faced with changes in operational requirements during the latter part of the financial period ending 30 June 2000 and, in accordance with standard practice, had utilized miscellaneous obligating documents as a general reservation of funds.

112. The Board reiterates the recommendation made in its report on peacekeeping operations for the period ended 30 June 1999¹ that the Administration emphasize the need to fully comply with established procedures regarding the use of miscellaneous obligating documents.

113. The Administration informed the Board that the missions have taken note of the need to comply strictly with established procedures regarding the use of miscellaneous obligating documents.

Taxation and duties

114. UNMIK has yet to draw up a memorandum of understanding with the host Government. Such a memorandum would set out the United Nations taxation and duty privileges, and would stipulate the United Nations right to unimpeded movement of goods, equipment and personnel at border crossing points. The lack of a memorandum of understanding meant that the Mission did not have customs clearance from the host Government and this led to delays at the border in the transportation of goods to and from Kosovo. Similarly, the lack of an agreement to allow unimpeded movement across the border caused delays in the entry and exit of staff from the mission area.

115. The Mission receives fuel deliveries by road from the host Government. In the six-month period prior to 30 June 2000, customs officers delayed several fuel shipments at the border, because the supplier had not paid duty on the imported fuel. In order to rectify the problem, the UNMIK Pillar IV (the European Union pillar) recommended that the Mission pay duty on all fuel imported and reclaim the tax from the Central Fiscal Authority of Kosovo. The Board is concerned that any proposals whereby the Mission pays and reclaims the duty will be unnecessarily bureaucratic, will restrict the Mission's cash flow and will amount to the Mission providing loans to the Central Fiscal Authority.

116. UNMIK was concerned about the fuel supplier improperly declaring fuel imports intended for the Mission, when the supplies were in fact intended for normal commercial delivery. In particular, UNMIK was unable to reconcile the quantities of fuel imported by the supplier with those drawn by vehicles from fuel points for which the Mission was subsequently invoiced. UNMIK was also concerned about non-UNMIK vehicles (mainly belonging to non-governmental organizations) having used United Nations fuel stations, when they should have been paying tax on fuel

used. The Kosovo Customs Service estimated that, as a result of this, it lost revenue of up to 16 million Deutsche marks (approximately \$6.9 million) per annum.

117. The Board recommends that the Administration expedite the conclusion of a memorandum of understanding with the host Government and clarify the tax and duty privileges of the United Nations to all pillars of UNMIK. Furthermore, in order to avoid any risk of liability being incurred by UNMIK in respect of fuel tax, the Board recommends that the Mission restrict the use of the UNMIK fuel stations to United Nations vehicles, take steps to ensure that it can properly trace fuel it has ordered and reconcile fuel ordered with the amounts actually delivered.

118. The Administration concurred with the Board's recommendation and indicated that there are currently no delays in the importation of fuel due to taxes and that, effective September 2000, UNMIK fuel stations are for the exclusive use of the Mission. In addition, with a view to strengthening the monitoring of fuel usage, the Mission will install an electronically automated system (CARLOG) during 2001. Furthermore, continuous negotiations have taken place with the Government to clarify unresolved areas so that the final draft of the memorandum of understanding can be signed.

Uncertified and unauthorized and non-cancelled documents being paid

119. The Board observed that vouchers amounting to \$41,904 were processed by UNAMSIL for which requisitions were not authorized and that vouchers amounting to \$108,862 did not have proper obligating documentation attached. The Board also identified vouchers amounting to \$1,056,416 that had not been cancelled after being paid and recorded.

120. Non-cancellation of vouchers upon payment could result in the resubmission of vouchers for payment, thus duplicating the payment and recording thereof, which could, in turn, lead to an overstatement of expenditure and create the potential for fraudulent activities.

121. The Board recommends that the Administration implement controls at UNAMSIL designed to ensure that transactions being processed are properly authorized, supported with appropriate documentation and not duplicated.

122. The Administration advised the Board that the Department of Peacekeeping Operations has directed the Mission to comply fully with established procedures relating to payment for services and goods and that all vouchers are now cancelled immediately after payment.

4. Missions in liquidation

Monitoring and leading of the liquidation process

123. The Board observed that, although various sections were responsible for parts of the liquidation process, the Liquidation Unit, which was established to facilitate the liquidation of missions at Headquarters, did not have appropriate access to all the relevant systems, such as IMIS and the field assets control system, and documentation, such as liquidation master plans. Furthermore, not all staff in the Liquidation Unit were qualified, experienced or trained in all areas of mission

activities. These factors limit the Unit from effectively monitoring and leading the liquidation process.

124. The Board recommends that the Administration implement measures to ensure that the Liquidation Unit takes responsibility for the overall monitoring, coordination and leading of the liquidation process. The staff of the Unit should have access to all affected computer applications for monitoring purposes. Furthermore, although it is essential that segregation of duties be maintained, the staff of the Liquidation Unit should be appropriately qualified, experienced and trained in all the facets of the liquidation process.

Liquidation manual

125. The Board noted that the current provisional liquidation guidelines appear to have been drafted in 1996 and, as at the time of this report, are still not officially approved.

126. The Board recommends that the Administration approve the liquidation guidelines as a directive for administering the liquidation of a mission in order to facilitate enforcing compliance with such procedures.

Liquidation planning

127. The liquidation of any mission has two distinct phases. The mission itself executes the first phase on site, which typically involves the winding down of the mission's activities, disposition of assets and the phasing out of personnel. The Board's findings and recommendations are outlined in paragraphs 128 to 132 below. The second phase is the responsibility of Headquarters and comprises the closing of accounts, the finalization of property records and survey cases and the write-off of irrecoverable accounts receivable. The Board's findings are outlined in paragraphs 134 and 135 below.

128. To ensure that the liquidation of missions will be effected in the most efficient and effective manner, the provisional liquidation manual requires that the head of a mission should develop and implement a liquidation plan. The manual also requires that the Operations Logistics Unit designate a logistic planning officer to work with the mission to develop the liquidation master plan and the mission liquidation directive, which will provide coordinating instructions for United Nations Headquarters staff to support the requirements of the chief administrative officer.

129. In evaluating the liquidation plans of MINURCA, MIPONUH and UNMOT, the Board found that, either various requirements stipulated in the provisional liquidation manual were not adhered to, or the planning documents could not be provided to the auditors by either all or a specific mission.

130. The information obtained by the Board indicates that, although planning may have taken place at the missions, some of the planning documentation is either not prepared in accordance with the provisional liquidation plan or the planning documentation is not available at Headquarters for evaluation or approval and monitoring purposes. The purpose of the provisional liquidation manual, although it has been used since 1996 without being formally adopted, is to give guidance and to facilitate the timely, efficient and cost-effective liquidation of missions.

131. The Board recommends that the Administration emphasize compliance with the manual to the missions in liquidation, which should also monitor the planning and subsequent execution thereof closely.

132. The Board also suggests that the documentation pertaining to the organizational structure of the liquidation team, as required under the terms of chapter 1, paragraph 15, of the provisional liquidation manual, should include a short description of the experience and training of each liquidation team member, relevant to their liquidation responsibilities. This will enable management to determine whether the required experience and skills will be available or whether certain expertise should be acquired from sources outside the mission.

133. The Administration informed the Board that the Department of Peacekeeping Operations will continue to emphasize compliance with the liquidation manual to missions in liquidation.

134. The provisional liquidation manual does not require the Liquidation Unit to prepare a planning document or strategy for the finalization of the liquidation of every mission the accounts of which are being transferred to Headquarters. However, the Liquidation Unit routinely prepares progress reports to monitor the residual tasks that are handed over to it by missions in liquidation. While the progress report is a good mechanism for monitoring the status of missions in liquidation, the Liquidation Unit does not have a focused plan against which to measure the overall performance of the liquidation process. Furthermore, such a plan would facilitate the establishment of objectives to be achieved by the Liquidation Unit and would provide direction to the liquidation process from the point at which activities are moved to United Nations Headquarters.

135. The Board recommends that the Department of Peacekeeping Operations Liquidation Unit develop a focused liquidation plan in respect of liquidation activities that become the responsibility of Headquarters.

Availability of source documentation

136. Although MINURCA had been liquidated in February 2000 and UNMOT and MIPONUH in June 2000, the supporting documentation for those missions had not yet been available for scrutiny as at 6 October 2000. The Liquidation Unit informed the Board that some documentation was still in transit between the missions and Headquarters, or that the documentation had not yet been unpacked and catalogued. Furthermore, personnel responsible for the archives confirmed that there had been no proper transfer of records from the field offices of ONUMOZ. The lack of timely accessibility of supporting documentation is of concern to the Board, because it not only prevents the Board from reviewing documentation, but is also one of the reasons for the delay in liquidating a mission.

137. The Board recommends that in order to effect proper control and achieve the objectives of the Liquidation Unit, the Administration implement procedures to ensure that supporting documentation is accessible in a timely manner.

138. The Administration informed the Board that the Department of Peacekeeping Operations has been in constant touch with the missions under liquidation, reminding them of the importance of the timely submission of all source documents.

Recording of assets

139. The Board's review of the disposal of the assets of MONUA upon its liquidation revealed that assets with a residual value of \$11,439,470 were sold on 13 March 2000 for \$8,332,642 to the host Government. The modalities of the contract of sale were (a) a "down payment" of \$833,264, corresponding to 10 per cent of the sales value of the assets and (b) payment of the remaining 90 per cent, which amounts to \$7,499,378, within 18 months from the date of the receipt of the items by the Government.

140. The Board noted that only the down payment of \$833,264 was accounted for as revenue, while the balance of \$7,499,379 was not accrued and reflected as an accounts receivable, but recorded in the accounts of MONUA as a memorandum entry under the clearing account. Therefore, the accounts receivable and revenue account were both understated in the financial statements of peacekeeping operations for the year ended 30 June 2000.

141. The Board recommends that the Administration record the full sale of assets in accordance with the United Nations accounting standards.

142. The Administration will implement the Board's recommendation and will continue to pursue the matter to ensure its early resolution.

5. Personnel management

Resources

143. The Board noted that, as at 30 June 2000, the peacekeeping mission staffing reflected that 3,346 posts (71 per cent) were filled out of 4,715 authorized posts. Although the Board noted an improvement of approximately 9 per cent as at 8 November 2000, from 4,019 filled posts (80 per cent) out of 5,048 authorized posts, the vacancies of 1,029 posts (20 per cent) result in missions experiencing difficulties in meeting operational objectives, as well as in maintaining sound financial and management controls. The Board's observations on specific difficulties in this regard had been conveyed to the Administration in the various management letters.

144. The Board recommends that the Administration implement urgent measures to expedite the filling of vacant posts at peacekeeping missions.

145. The Administration informed the Board that the recruitment of additional personnel officers to strengthen support to the missions is under way as part of the emergency support account increase and that recruitment of personnel for the governance components of UNMIK and UNTAET has been delegated to the missions to expedite the recruitment process.

Performance appraisal system

146. The Board observed that the personnel appraisal files of staff members at field missions and in the Department of Peacekeeping Operations are not always utilized as a tool to identify staff members' training needs although the existing performance appraisal system includes provision for staff development needs. Furthermore, training and development courses are not based on the resultant specific needs of the staff.

147. **The Board recommends that the Department of Peacekeeping Operations use the performance appraisal system for identification of training or development needs. Such training requirements should be considered during the planning of training courses for staff members.**

148. The Administration informed the Board that the proposed version of the field performance appraisal system requires that staff identify at least one development goal or need at the beginning of the performance cycle and that the accomplishment of such a goal is provided for at the end of the cycle. The Department of Peacekeeping Operations informed the Board that, once implemented, the system would assist in designing targeted training programmes for field staff. The Office for Human Resources Management will continue to monitor and support the Department's implementation of this aspect of programme management.

6. Cash management

Bank reconciliations

149. The Board noted that UNTAET only finalized bank reconciliations for the month of June 2000 for two of the main bank accounts after 12 September 2000, while two other bank accounts were still not reconciled at that date. Owing to the late preparation of the bank reconciliations, as at 30 June 2000, transactions amounting to approximately \$1.5 million had not been recorded in the accounts of UNTAET in a timely manner.

150. The Board observed that bank reconciliations had not been prepared in a timely manner by UNAMSIL for three bank accounts for periods of from 7 to 12 months.

151. The Board further observed that bank reconciliations had not been approved by senior officials of UNAMSIL for the above-mentioned three bank accounts for between 9 and 12 months.

152. Bank reconciliations are one of the primary controls of management to ensure that all transactions are complete and correctly recorded in the general ledger and that there is proper custody of cash.

153. **The Board recommends that the Administration emphasize to all missions the importance of preparing bank reconciliations as soon as possible after each month-end and of senior officials reviewing and approving the bank reconciliations in a timely manner.**

154. The Administration has informed the Board that the recommendation has been implemented, as UNAMSIL has brought up to date all outstanding bank reconciliations and also, that UNTAET has taken steps to ensure the timely review of bank reconciliations.

7. Civilian police

155. During August 2000, the UNMIK Police deployed 3,882 officers in the region, a complement of 4,718. This figure included 706 in Special Police Units and 206 Border Police. In reviewing the deployment of the UNMIK Police, the Board noted that the Mission had used them to provide civilian security services. On average, for the period from 1 March to 1 September 2000, the UNMIK Police used 2,065 man-

days per week of operational time in providing guard functions, close protection duties and security services for courts and the offices of the Banking and Payments Authority of Kosovo. Likewise, the United Nations Security Section used 137 staff to provide functions such as guard duty and close protection work for the Interim Administration. Such functions were not included in the mandates or budgets for the UNMIK Police or the Security Section.

156. The Board noted that the UNMIK Police were allocated 12 civilian staff posts within the Mission staffing table, to provide administrative support services, which were not used. The Board also noted that the Personnel and Administration sections of the UNMIK Police were staffed by 24 police officers. In total, the Board found that 581 officers (equivalent to 20 per cent of total deployment) were deployed in Mission headquarters duties. The Board believes that, wherever possible, police should be deployed for operational policing duties. While the Board notes that not all functions could be transferred to civilian staff, the Mission could begin to reduce the number of officers employed in administrative tasks by using the civilian posts provided.

157. The Board suggested that the Administration take action to ensure that the Interim Administration reimburses the UNMIK Police and the Division of Administration (which manages the Security Section) the costs of providing the police or security staff.

158. The Department of Peacekeeping Operations informed the Board that there are no plans to request reimbursement for those services at this time. The Mission has begun a project to examine the work of all units within the UNMIK Police, with a view to prioritizing operational duties. Although there is a high level of support provided to the Police by the Mission's Administration, that support is not currently integrated into the UNMIK Police structures.

8. Electronic data processing

159. The Board reviewed the electronic data-processing environments at the field missions and noted that, in general, there were varying degrees of deficiencies and areas for improvement. The more common deficiencies are as follows:

(a) Physical security. Electronic data-processing server rooms do not always prevent unauthorized access and the location of such rooms are often not conducive to providing adequate security;

(b) Logical security. Formal user authentication and password control is often lacking, with the result that there are inadequate controls for preventing unauthorized access to the electronic data-processing programmes and data. Furthermore, documentation is also absent in respect of user profiles and the levels of authority assigned to staff;

(c) Logging of violations. Violations, such as unauthorized access, are not logged and cannot, therefore, be followed up and measures implemented to prevent future violations.

160. Electronic data processing provides the core mechanism for the processing of transactions and ensuring administrative operational continuity.

161. The Board recommends that the Administration review the extent of compliance with current electronic data-processing policies and guidelines by

peacekeeping missions with a view to improving protocols that ensure sound electronic data-processing general controls and procedures.

162. The Administration has informed the Board that missions have already commenced reviewing their electronic data-processing environments and improving controls where possible.

9. Environmental policies

163. Although the Board has noted that some missions have procedures for addressing basic environmental issues, in general, peacekeeping missions do not comply with a formal policy on environmental matters, nor is there an environmental management system that, inter alia, promotes staff awareness of environmental issues relevant at the missions or initiatives to address environmental concerns.

164. The Board recommends that the Administration formulate an environmental management system to address environmental issues and ensure compliance with policies relating to peacekeeping operations.

165. The Administration informed the Board that initiatives in respect of environmental practices are encouraged at the mission level and that the Department of Peacekeeping Operations intends to request resources for environmental requirements in the 2002/2003 budgets of the various peacekeeping missions.

10. Cases of fraud and presumptive fraud

166. As required under the Financial Regulations and Rules of the United Nations, the Administration reported cases of fraud and presumptive fraud to the Board for the financial period ended 30 June 2000.

167. The Board noted that, in four of the six cases reported, the United Nations did not incur any financial loss. In one of the cases resulting in financial loss, the permanent mission of a Member State is being requested to recover funds, amounting to approximately \$15,906, which were paid to the army of the Member State concerned as a reimbursement following a claim for excess baggage charges incurred. However, the Mission later learned that the airline had already refunded the Member State for the excess baggage costs and, upon requesting payment of the funds incorrectly reimbursed, the Mission was informed that the army of the Member State was in no position to repay the funds. The debt has been outstanding since February 2000. In the other case, fictitious casual labourers were included on the payroll of a mission and losses of approximately \$376 were incurred before the fraud was detected.

168. The Board is pleased to note that the mission had informed the Administration that controls were implemented to prevent a recurrence of such cases and that, where possible, action had been taken against individual staff.

D. Acknowledgement

169. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended by the Secretary-General, the Under-Secretary-General for

Management, the Under-Secretary-General for Peacekeeping Operations and members of their staff.

(Signed) Celso D. **Gangan**
Chairman, Philippine Commission on Audit

(Signed) Sir John **Bourn**
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland

(Signed) Shauket A. **Fakie**
Auditor-General of the Republic of South Africa

31 January 2001

Notes

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

² *Ibid., Fifty-third Session, Supplement No. 5 (A/53/5), vol. II, chap. II.*

Annex I

List of missions audited

United Nations Civilian Police Mission in Haiti (MIPONUH)
United Nations Disengagement Observer Force (UNDOF)
United Nations Interim Administration Mission in Kosovo (UNMIK)
United Nations Interim Force in Lebanon (UNIFIL)
United Nations Iraq-Kuwait Observation Mission (UNIKOM)
United Nations Logistics Base at Brindisi, Italy
United Nations Mission for the Referendum in Western Sahara (MINURSO)
United Nations Mission in Bosnia and Herzegovina (UNMIBH)
United Nations Mission in the Central African Republic (MINURCA)
United Nations Mission of Observers in Tajikistan (UNMOT)
United Nations Observer Mission in Angola (MONUA)
United Nations Observer Mission in Georgia (UNOMIG)
United Nations Observer Mission in Liberia (UNOMIL)
United Nations Observer Mission in Sierra Leone (UNOMSIL)
United Nations Operation in Mozambique (ONUMOZ)
United Nations Organization Mission in the Democratic Republic of the Congo (MONUC)
United Nations Special Coordinator in the Occupied Territories (UNSCO)
United Nations Transitional Administration in East Timor (UNTAET)
United Nations Truce Supervision Organization (UNTSO)
United Nations Verification Mission in Guatemala (MINUGUA)

Annex II

Follow-up of action taken to implement the recommendations of the Board of Auditors in its report for the financial period ended 30 June 1999^a

Recommendation in paragraph 12 (a)

1. Inter-office vouchers pending clearance in the financial statements should be disclosed in gross terms.

Measures taken by the Administration

2. The Administration has implemented the Board's recommendation.

Comments of the Board

3. The Board acknowledges that the recommendation has been implemented.

Recommendation in paragraph 12 (b)

4. The Office of Programme Planning, Budget and Accounts should ensure that all expenditure relating to a financial period is captured in the accounts for more accurate financial reporting. Also, the Office and the Department of Peacekeeping Operations should improve their coordination to ensure accurate financial reporting.

Measures taken by the Administration

5. The Board's recommendations were fully implemented.

Comments of the Board

6. The Board's comments on this issue are reflected in the present report.

Recommendation in paragraph 12 (c)

7. The Department of Peacekeeping Operations should explore additional areas both at Headquarters and in the field missions to facilitate bulk purchases in order to benefit from economies of scale where possible.

Measures taken by the Administration

8. Within the context of procurement planning, the Department of Peacekeeping Operations identified additional areas, both at Headquarters and in the field missions, where requirements were consolidated and used as the basis for various systems contracts implemented over the last year. The Department will continue to explore areas for contracts to benefit from economies of scale.

Comments of the Board

9. The Board's comments on this issue are reflected in the present report.

Recommendation in paragraph 12 (d)

10. The Administration should remind field missions to comply with the provisions of the Procurement Manual, which require the missions to submit to their procurement sections procurement plans based on realistic estimates.

Measures taken by the Administration

11. The Board's recommendation has been implemented.

Comments of the Board

12. The Board's comments on this issue are reflected in the present report.

Recommendation in paragraph 12 (e)

13. The Procurement Division should review the practice of procuring items under free-on-board contracts to ensure consistency with the provisions of the Financial Rules and the Procurement Manual.

Measures taken by the Administration

14. The Procurement Division has reviewed and will continue to review specific requirements of each procurement case and select the appropriate delivery terms. The Procurement Division will work with the Field Administration and Logistics Division of the Department of Peacekeeping Operations to dispatch the latter's technical staff or a commercial inspector for pre-shipment inspection, as appropriate. The Procurement Division considers that the warranty conditions in the purchase of goods will also address the issue of default products delivered by the suppliers.

Comments of the Board

15. The Board will continue to monitor this matter in future audits.

Recommendation in paragraph 12 (f)

16. The Department of Peacekeeping Operations and the Procurement Division should establish procedures for obtaining prompt advice on the status of goods received at the field missions in order to facilitate the expediting function and the completion of the procurement process.

Measures taken by the Administration

17. Since the missions do not currently have the ready capacity for IMIS, the Procurement Division and the Field Administration and Logistics Division would continue to obtain receiving and inspection reports from missions. The Field Administration and Logistics Division will process these reports in IMIS and forward copies to the Accounts Division and the Procurement Division for information. Invoices from vendors and suppliers are received by the Accounts Division for review and payment.

Comments of the Board

18. The Board will keep this matter under review.

Recommendation in paragraph 12 (g)

19. The Department of Peacekeeping Operations should take action to locate the relevant records relating to the disposition of the assets of UNOMIL and ensure that, in future, such records are made readily available for audit review.

Measures taken by the Administration

20. The Board's recommendation has been implemented. Lessons learned from past missions under liquidation are now taken into account and liquidation guidelines are forwarded to chief administrative officers prior to missions' liquidating, in order to facilitate and speed up the process in the mission.

Comments of the Board

21. The Board's comments on this issue are reflected in the present report.

Recommendation in paragraph 12 (h)

22. The Department of Peacekeeping Operations and the missions should standardize the main types of assets used, such as vehicles, generators and communication and data-processing equipment, in order to improve maintenance and usage.

Measures taken by the Administration

23. The Board's recommendation has been implemented.

Comments of the Board

24. The Board's comments on this issue are reflected in the present report.

Recommendation in paragraph 12 (i)

25. The Department of Peacekeeping Operations should request liquidating missions to properly evaluate the cost-effectiveness of any proposed transfer of assets.

Measures taken by the Administration

26. The cost-effectiveness of any proposed redeployment of assets by liquidating missions to other missions or the United Nations Logistics Base is closely monitored by the Field Administration and Logistics Division, in accordance with the policy for the transfer of assets contained in paragraph 23 of the report of the Secretary-General (A/51/905) dated 21 May 1997, which was endorsed by the General Assembly.

Comments of the Board

27. The Board's comments on this issue are reflected in the present report.

Recommendation in paragraph 12 (j)

28. The Department of Peacekeeping Operations should review the arrangements for screening and testing civilian police monitors with a view to improving the effectiveness of the selection process.

Measures taken by the Administration

29. The Board's recommendation has been implemented. In August 2000, the Department of Peacekeeping Operations Civilian Police Unit developed and distributed to all Member States a comprehensive selection assistance team procedure. The Unit will apply the procedure in testing candidates in their home countries before deployment.

Comments of the Board

30. The Board will keep this matter under review.

Recommendation in paragraph 12 (k)

31. The Department of Peacekeeping Operations should ensure that personnel are never assigned to a mission prior to obtaining their medical clearance.

Measures taken by the Administration

32. The Civilian Police Unit is working with the Medical Services Division and Member States to implement the Board's recommendation.

Comments of the Board

33. The Board will continue to monitor this matter in future audits.

Recommendation in paragraph 33

34. Governmental and non-governmental obligations should be provided with distinct code numbers in IMIS to ensure more effective monitoring of unliquidated obligations.

Measures taken by the Administration

35. The implementation of the Board's recommendation is ongoing.

Comments of the Board

36. The Board will keep this matter under review.

Recommendation in paragraph 43

37. The Office of Programme Planning, Budget and Accounts should instruct missions to regularly review accounts receivable and ensure prompt settlement of all outstanding amounts; enforce the recovery policy by deducting telephone and liberty mileage charges from mission subsistence allowances or salaries; and initiate prompt write-off action where there is little chance of recovery.

Measures taken by the Administration

38. All missions have been informed and correct procedures have been put in place. The Controller is taking action to remind missions to take appropriate steps to recover amounts. Action is also being taken to write off long outstanding amounts deemed irrecoverable.

Comments of the Board

39. The Board's comments on this issue are reflected in the present report.

Recommendation in paragraph 51

40. The Administration should emphasize to the missions the enforcement of established procedures for accounts receivable to be recovered from separating staff members, civilian police and military observers to avoid financial losses to the Organization.

Measures taken by the Administration

41. The Board's recommendation has been implemented and reminders have recently been sent to all missions on the importance of enforcing established recovery procedures with respect to separating mission personnel.

Comments of the Board

42. The Board will continue to keep this matter under review.

Recommendation in paragraph 71

43. The Administration should continue to adhere to the requirement for prior submission of cases to the contract committees for consideration, even in cases of procurement under the exigency rule.

Measures taken by the Administration

44. The recommendation has been implemented. The Department of Management has stipulated a sharper definition of exigency and amended the Procurement Manual accordingly. The Department of Peacekeeping Operations has disseminated this information to all peacekeeping missions for compliance.

Comments of the Board

45. The Board acknowledges the implementation of its recommendation.

Recommendation in paragraph 87

46. The Administration should emphasize to UNMIBH and MINURCA the need to comply fully with established procedures regarding the use of miscellaneous obligating documents.

Measures taken by the Administration

47. The Board's recommendation has been implemented. The Department of Peacekeeping Operations has recently sent a communication to all missions reminding them of the need to follow established procedures governing the use of miscellaneous obligation documents.

Comments of the Board

48. The Board's comments on this issue are reflected in the present report.

Recommendation in paragraph 100

49. Even when a mission is in the process of liquidating, it should still ensure that there is proper separation of duties in the initiation of expenditure. All requests for work on building systems should be made through the Engineering or Building Management section, which should decide on the need and the priority. Work should not be performed without the Engineering or Building Management sections completing a detailed and properly authorized work order.

Measures taken by the Administration

50. The Board's recommendation has been implemented. The Finance Management and Support Service has issued a field finance manual that includes a section on liquidation procedures for peacekeeping missions. The manual has been sent to all field missions and relevant offices at Headquarters for compliance.

Comments of the Board

51. The Board acknowledges implementation of its recommendation and will monitor this issue in future audits.

Recommendation in paragraph 102

52. The Department of Peacekeeping Operations, in conjunction with the Procurement Division, should ensure that all field missions comply with the established procedures relating to reporting on the performance of vendors and contractors.

Measures taken by the Administration

53. The Department of Peacekeeping Operations has recently reminded all missions of the need to follow reporting procedures on vendor and contractor performance in respect of contracts entered into by the Procurement Division at Headquarters.

Comments of the Board

54. The Board's comments on this issue are reflected in the present report.

Recommendation in paragraph 109

55. The Administration should reintroduce the training programme for chief administrative officers and extend it to cover other management personnel.

Measures taken by the Administration

56. The Field Administration and Logistics Division has not been able to organize any new training for chief administrative officers since the issuance of the Board's report because of resource constraints. The Division will ensure that the training programme is reintroduced and that it covers other management personnel as soon as additional resources are available. It should be noted, however, that pre-deployment on-the-job training is being provided, as needed, for staff performing administrative and logistics functions.

Comments of the Board

57. The Board will monitor this matter in future audits.

Recommendation in paragraph 116

58. The Office of Programme Planning, Budget and Accounts should effect the necessary entries in the accounts to fully record the proceeds from the sale of UNOMIL assets.

Measures taken by the Administration

59. The sale of the UNOMIL assets has been appropriately adjusted and recorded in the accounts.

Comments of the Board

60. The Board acknowledges the actions taken by the Administration.

Recommendation in paragraph 121

61. The Department of Peacekeeping Operations should pursue and obtain acknowledgements for all assets transferred by the Military Observer Group of MINUGUA to the United Nations Logistics Base at Brindisi and those retained in MINUGUA.

Measures taken by the Administration

62. The Board's recommendation has been implemented. The Logistics Base and MINUGUA had acknowledged all the assets received from the Military Observer Group.

Comments of the Board

63. The Board acknowledges the implementation of its recommendation.

Recommendation in paragraph 134

64. The Department of Peacekeeping Operations should ensure that, in the area of property control, staff of peacekeeping missions have adequate skills in inventory procedures, equipment recognition and computer use.

Measures taken by the Administration

65. The Field Administration and Logistics Division has recently initiated a comprehensive review of the existing staff resources in field missions directly involved in handling property control issues and is in the process of analysing the current status and methods of improving their efficiency. As part of this measure, it has conducted training in the field assets control system in Brindisi in June 2000. The Division has also sent to all field missions new guidelines for the control of United Nations-owned property to ensure the efficient execution of tasks related to assets management and inventory control functions.

Comments of the Board

66. The Board will monitor the impact of the Administration's actions.

Recommendation in paragraph 139

67. The Department of Peacekeeping Operations and missions should plan any future transfers of equipment with the aim of maximizing the standardization of equipment held by receiving missions.

Measures taken by the Administration

68. The Board's recommendation has been implemented.

Comments of the Board

69. The Board acknowledges that its recommendation has generally been implemented, but will continue to monitor this matter.

Recommendation in paragraph 146

70. The Field Administration and Logistics Division should make every effort to reduce the backlog of property cases awaiting a decision of the Headquarters

Property Survey Board, and in particular, to consider streamlining and strengthening the operations of the team responsible for processing the cases for write-off.

Measures taken by the Administration

71. The recommendation has been implemented. In addition to the delegation of authority to field missions to process property survey board cases involving assessment of mission personnel below the amount of \$500, the number of steps involved in processing claims has been reduced as all cases which require review by the Headquarters Property Survey Board are now submitted by the missions directly to that Board.

Comments of the Board

72. The Board acknowledges that the backlog in write-off cases has improved, but this issue will be reviewed in future audits.

Recommendation in paragraph 150

73. The Department of Peacekeeping Operations should ensure that: a clear and comprehensive security strategy is introduced early in missions; all staff, including military personnel, are provided with guidance on ensuring the security of assets; and, where appropriate, vehicle immobilization devices are used on United Nations-owned vehicles.

Measures taken by the Administration

74. The Board's recommendations have been implemented. However, in some cases, immobilization devices could not be purchased, as they were not offered for sale by vendors.

Comments of the Board

75. The Board acknowledges that the recommendations have been implemented but will continue to review this issue in future audits.

Recommendation in paragraph 152

76. The Department of Peacekeeping Operations should ensure that responsibility for welfare items, where they continue to be provided by the United Nations, is vested in the civilian administration.

Measures taken by the Administration

77. The Board's recommendation has been implemented.

Comments of the Board

78. The Board acknowledges that the recommendation has been implemented and the issue will be followed up in future audits.

Recommendation in paragraph 158

79. The Department of Peacekeeping Operations should ensure that the missions enforce staff departure procedures, including checks to ensure that all equipment issued has been returned, and that such procedures are also applied to military personnel and civilian police officers with responsibility for United Nations-owned equipment.

Measures taken by the Administration

80. The Field Administration and Logistics Division has recently reminded field missions to comply with these procedures.

Comments of the Board

81. The Board will monitor this issue in future audits.

Recommendation in paragraph 167

82. The Department of Peacekeeping Operations should instruct missions to ensure that they take full inventory of and prepare condition reports on properties that they intend to occupy, and that they support those reports with detailed photographic evidence, where possible.

Measures taken by the Administration

83. The Field Administration and Logistics Division has recently sent out a written reminder to all missions concerning the submission of reports for properties intended for occupation.

Comments of the Board

84. The Board will monitor this issue in future audits.

Recommendation in paragraph 174

85. The Department of Peacekeeping Operations should instruct peacekeeping missions to ensure that trust funds are used only for the purposes cited.

Measures taken by the Administration

86. The Field Administration and Logistics Division has recently implemented new procedures to enhance management of trust funds.

Comments of the Board

87. The Board will keep this matter under review.

Recommendation in paragraph 179

88. The Administration should ensure that full and accurate information on fraud and presumptive fraud is provided to the Board of Auditors, in accordance with the Financial Rules.

Measures taken by the Administration

89. All missions have been reminded of their duty to report all cases of fraud and presumptive fraud to the Controller, who will provide the information to the Board.

Comments of the Board

90. The Board acknowledges that its recommendation has been implemented.

Notes

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

Chapter III

Audit opinion

We have audited the accompanying financial statements, comprising statements numbered I to XXXVII, schedules, numbered 1.1 to 37.1, and the supporting notes to the United Nations peacekeeping operations for the financial period ended 30 June 2000. These financial statements are the responsibility of the Secretary-General of the United Nations. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Secretary-General, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the audit opinion.

In our opinion, these financial statements present fairly, in all material respects, the financial position as at 30 June 2000 and the results of operations and cash flows for the period then ended in accordance with the stated accounting policies set out in note 2 to the financial statements, which were applied on a basis consistent with that of the preceding financial period.

Further, in our opinion, the transactions of the United Nations peacekeeping operations which we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and legislative authority.

Without qualifying our opinion above, we draw attention to note 8 to the financial statements for which we have been unable to obtain assurance as to the reasonableness of the value of the non-expendable equipment disclosed. Also, note 9 to the financial statements includes a material amount in respect of claims already certified, as being valid expenditure incurred during the financial period ended 30 June 2000, but which are not recognized as a liability, on the basis that funds had not been reserved for such costs.

In accordance with article XII of the Financial Regulations, we have also issued a long-form report on our audit of the financial statements on the United Nations peacekeeping operations.

(Signed) Celso D. **Gangan**
Chairman, Philippine Commission on Audit

(Signed) Sir John **Bourn**
Comptroller and Auditor General
of the United Kingdom of Great Britain and Northern Ireland

(Signed) Shauket A. **Fakie**
Auditor-General of the Republic of South Africa

31 January 2001

Chapter IV

Certification of the financial statements

1. General Assembly resolution 49/233 A of 23 December 1994 established an annual financial period for peacekeeping activities covering the period from 1 July to 30 June. The financial statements of the United Nations peacekeeping operations for the 12-month period from 1 July 1999 to 30 June 2000 have been prepared in accordance with financial rule 111.4.
2. The summary of significant accounting policies applied in preparation of these statements is included as notes to the financial statements. The notes provide additional information and clarification for the financial activities related to peacekeeping operations undertaken by the Organization during the period covered by these statements, for which the Secretary-General has administrative responsibility.
3. I certify that the appended financial statements of the United Nations peacekeeping operations, numbered I to XXXVII, are correct.

(Signed) Jean-Pierre **Halbwachs**
Assistant Secretary-General, Controller

6 October 2000

v

Notes to the financial statements for peacekeeping operations for the period from 1 July 1999 to 30 June 2000

Note 1. The United Nations and its activities

(a) The Charter of the United Nations was signed on 26 June 1945 and came into force on 24 October 1945. The Organization's primary objectives, to be implemented through its five major organs, were as follows:

- (i) The maintenance of international peace and security;
- (ii) The promotion of international economics, social progress and development programmes;
- (iii) Universal observance of human rights;
- (iv) The administration of international justice and law;
- (v) The development of self-government for Trust Territories.

(b) The General Assembly focuses on a wide range of political, economic and social issues as well as the financial and administrative aspects of the Organization.

(c) Under the direction of the Security Council, the Organization has been involved in various aspects of peacekeeping and peacemaking, including efforts towards resolving conflicts, restoring democracy, promoting disarmament, providing electoral assistance and facilitating post-conflict peace-building, and engaging in humanitarian activities to ensure the survival of groups deprived of basic needs.

(d) The Economic and Social Council plays a particular role in economic and social development, including a major oversight role in other United Nations organizations' efforts to address international economic, social and health problems.

(e) The International Court of Justice has jurisdiction over disputes between Member States brought before it for advisory opinions or binding resolutions.

(f) The Trusteeship Council completed its primary functions in 1994 with the termination of the Trusteeship Agreement for the last United Nations Trust Territory.

Note 2. Summary of significant accounting policies

The following are the significant accounting policies of the United Nations:

(a) The accounts of the United Nations ("the Organization") are maintained in accordance with the Financial Regulations of the United Nations as adopted by the General Assembly, the rules formulated by the Secretary-General as required under the Regulations and administrative instructions issued by the Under-Secretary-General for Management or the Controller. They also take fully into account the common accounting standards for the United Nations system, as adopted by the Administrative Committee on Coordination. The General Assembly took note of those standards in its resolution 48/216 C of 23 December 1993. The United Nations follows international accounting standard 1 on the disclosure of accounting policies, as modified and adopted by the Consultative Committee on Administrative Questions at its fifty-fourth session, as shown below:

(i) Going concern, consistency and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons;

(ii) Prudence, substance over form and materiality should govern the selection and application of accounting policies;

(iii) Financial statements should include clear and concise disclosure of all significant accounting policies that have been used;

(iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. The policies should normally be disclosed in one place;

(v) Financial statements should show comparative figures for the corresponding preceding financial period;

(vi) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed together with the reasons. The effect of the change should, if material, be disclosed and quantified.

(b) The United Nations accounts are maintained on a “fund accounting” basis. Separate funds for general or special purposes may be established by the General Assembly, the Security Council or the Secretary-General. Each fund is maintained as a distinct financial and accounting entity, with a separate self-balancing, double-entry group of accounts. Separate financial statements are prepared for each fund or for a group of funds of the same nature.

(c) In accordance with the requirements of General Assembly resolution 49/233 A of 23 December 1994, the financial period for peacekeeping operations was changed to a fiscal year period from 1 July to 30 June. The financial period of the Organization for all other funds is a biennium consisting of two consecutive calendar years.

(d) Generally, income, expenditure, assets and liabilities are recognized on the accrual basis of accounting.

(e) The accounts of the Organization are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the time of the transaction at a rate of exchange established by the Under-Secretary-General for Management. In respect of such currencies, the financial statements prepared at such intervals as may be prescribed by the Controller under delegation of authority from the Under-Secretary-General for Management shall reflect the cash, investments, unpaid pledges and current accounts receivable and payable in currencies other than United States dollars translated at the applicable United Nations rates of exchange in effect as at the date of the statements. In the event that the application of actual exchange rates at the date of the statements would provide a valuation significantly different from the application of United Nations rates of exchange for the last month of the financial period, the difference will be quantified in a footnote.

(f) The Organization's financial statements are prepared on the historical cost basis of accounting and have not been adjusted to reflect the effects of changing prices for goods and services.

(g) The Organization's financial statements are presented in accordance with the ongoing recommendations of the Consultative Committee on Administrative Questions (Financial and Budgetary Questions) Working Party on Financial Statements, which has established United Nations accounting standards. In accordance with the requirements of those standards, statement I reflects income and expenditures and changes in reserves and fund balances for all peacekeeping operations; statement II reflects assets, liabilities, reserves and fund balances for all peacekeeping operations; and statement III reflects cash flows for all peacekeeping operations.

(h) The results of the Organization's operations in statements I, II and III are shown in summary by general type of activity as well as on a consolidated basis after the elimination of all inter-fund balances and instances of double-counting of income and expenditure. Their presentation on a consolidated basis does not imply that the various separate funds can be intermingled in any way since, normally, resources may not be utilized between funds.

(i) Income:

(i) Amounts necessary to finance the activities of the United Nations regular budget, peacekeeping operations, international tribunals and the Working Capital Fund are assessed on Member States according to the scale of assessments determined by the General Assembly;

(ii) For purposes of the financial statements, income is recognized when an assessment on Member States has been authorized by the General Assembly and notifications of assessment have been issued by the Secretariat for the financial period. Neither appropriations nor spending authorities are recognized as income, except to the extent that a matching assessment on Member States has been levied;

(iii) Amounts assessed on non-member States that agree to pay reimbursement of costs for their participation in United Nations treaties, organs and conferences are credited to miscellaneous income;

(iv) Voluntary contributions from Member States or other donors are recorded as income on the basis of a written commitment to pay monetary contributions at specified times within the current financial period. In accordance with General Assembly resolution 44/192 A of 21 December 1989, voluntary contributions made in cash or in the form of services and supplies that are acceptable to the Secretary-General are credited to income or noted in the financial statements;

(v) Allocations from other funds represent monies appropriated or designated from one fund for the transfer to and disbursement from another fund;

(vi) Income for services rendered includes reimbursements for salaries of staff members and other costs that are attributable to providing technical and administrative support to other organizations;

(vii) Interest income includes all interest earned on deposits in various bank accounts and investment income earned on marketable securities and other negotiable instruments. All realized losses and net unrealized losses on short-term investments are offset against investment income;

(viii) Miscellaneous income includes income from rental of premises, sale of used or surplus property, refunds of expenditures charged to prior periods, income resulting from net gains resulting from currency translations, settlements of insurance claims, monies accepted for which no purpose was specified and other sundry income.

(j) Expenditure:

(i) Expenditures are incurred against authorized allotments. Total expenditures reported include unliquidated obligations and disbursements;

(ii) Expenditures incurred for non-expendable property are charged to the budget of the period when acquired and not capitalized. Inventory of such non-expendable property is maintained at historical cost;

(iii) Expenditures for future financial periods are not charged to the current financial period and are recorded as deferred charges as referred to in item k (iv).

(k) Assets:

(i) Cash and term deposits represent funds in demand deposit accounts and interest-bearing bank deposits;

(ii) Investments comprise marketable securities and other negotiable instruments acquired by the Organization to produce income. Short-term investments are stated at lower of cost or market; the market value of short-term investments is disclosed in the footnotes to the financial statements. Long-term investments are stated at cost. Cost is defined as the nominal value plus/minus any unamortized premium/discount;

(iii) Assessed contributions represent a legal obligation of contributors and, therefore, the balances of unpaid assessed contributions due from Member States are reported irrespective of collectability. It is the policy of the United Nations not to make provision for delays in collection of such assessments;

(iv) Deferred charges normally comprise expenditure items that are not properly chargeable in the current financial period and that will be charged as expenditure in a subsequent period. These expenditure items include commitments approved by the Controller for future financial periods in accordance with financial rule 110.6. Such commitments are normally restricted to administrative requirements of a continuing nature and to contracts or legal obligations where long lead times are required for delivery;

(v) For purposes of the balance sheet statements only, those portions of education grant advances that are assumed to pertain to the scholastic years completed as at the date of the financial statement are shown as deferred charges. The full amounts of the advances are maintained as accounts receivable from staff members until the required proof of entitlement is produced, at which time the budgetary accounts are charged and the advances settled;

(vi) Maintenance and repairs of capital assets are charged against the appropriate budgetary accounts. Furniture, equipment, other non-expendable property and leasehold improvements are not included in the assets of the Organization. Acquisitions are charged against budgetary accounts in the year of purchase. The value of non-expendable property is disclosed in notes to the financial statements.

(l) Liabilities, reserves and fund balances:

(i) Operating and other types of reserves are included in the totals for reserves and fund balances shown on the financial statements;

(ii) Unliquidated obligations for future years are reported both as deferred charges and as unliquidated obligations;

(iii) Deferred income is income received but not yet earned;

(iv) Commitments of the Organization relating to prior, current and future financial periods are shown as unliquidated obligations. Current period obligations related to the Special Account for peacekeeping remain valid for 12 months following the end of the financial period to which they relate. Unliquidated obligations relating to peacekeeping operations owed to Member States may be retained for an additional period of four years beyond the 12-month period provided for in regulation 4.3;

(v) Contingent liability, if any, is disclosed in notes to the financial statements;

(vi) The United Nations is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded defined-benefit plan. The financial obligation of the Organization to the Fund consists of its mandated contribution at the rate established by the General Assembly together with its share of any actuarial deficiency payments under article 26 of the regulations of the Fund. Such deficiency payments are only payable if and when the General Assembly has invoked the provision of article 26, following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. At the time of the preparation of the present report, the General Assembly has not invoked this provision.

Note 3. Accounting provisions for peacekeeping operations

The accounts for the peacekeeping operations have been maintained in accordance with the provisions of the Financial Regulations and Rules of the United Nations, with due regard for the following:

(a) Financial regulation 2.1, which states that the financial period of peacekeeping operations with special accounts shall be one year from 1 July to 30 June;

(b) Financial regulation 11.4, which states that the annual accounts for peacekeeping operations with special accounts shall be submitted by the Secretary-General to the Board of Auditors no later than 30 September each year;

(c) Article IV of the financial regulations. Special arrangements have been made by the General Assembly relating to unliquidated obligations for certain peacekeeping operations. Paragraph 2 of its resolution 33/13 F of 14 December 1978 reads as follows:

“2. *Approves* the following special arrangements for the United Nations Emergency Force and the United Nations Disengagement Observer Force in regard to the application of article IV of the United Nations Financial Regulations, whereby appropriations required in respect of obligations owed to Governments providing contingents and/or logistic support to the Forces shall be retained beyond the period stipulated under financial regulations 4.3 and 4.4:

“(a) At the end of the twelve-month period provided for in regulation 4.3, any unliquidated obligations of the financial period in question relating to goods supplied and services rendered by Governments for which claims have been received, or which are covered by established reimbursement rates, shall be transferred to accounts payable; such accounts payable shall remain recorded in the Special Account until payment is effected;

“(b) Any other unliquidated obligations of the financial period in question owed to Governments, for goods supplied and services rendered, as well as other obligations owed to Governments, for which required claims have not yet been received, shall remain valid for an additional period of four years following the end of the twelve-month period provided in regulation 4.3; claims received during this four-year period shall be treated as provided under subparagraph (a) above, if appropriate; at the end of the additional four-year period any unliquidated obligations shall be cancelled and the then remaining balance of any appropriations retained therefor will be surrendered.”

Similar provisions have been accorded to other missions, as follows:

<i>Mission</i>	<i>Resolution/decision</i>	<i>Date</i>
UNDOF	33/13 F	14 December 1978
UNIFIL	34/9 C	17 December 1979
UNHMOG	45/245	31 December 1990
UNTAG	45/265	17 May 1991
UNIKOM	47/208 B	14 September 1993
UNPROFOR	47/210 B	14 September 1993
ONUSAL	47/234	14 September 1993
UNAVEM	49/227	23 December 1994
MINURSO	49/466	23 December 1994
UNOMIG	49/231	12 July 1995
UNOMIL	50/210	23 December 1995
UNMIH	50/90 B	7 June 1996
UNAMIR	50/211 B	7 June 1996
UNFICYP	50/236	7 June 1996
UNSMIH	51/15 B	13 June 1997

<i>Mission</i>	<i>Resolution/decision</i>	<i>Date</i>
UNMIBH	51/152 B	13 June 1997
UNTAES	51/153 B	13 June 1997
UNPREDEP	51/154 B	13 June 1997
UNMOT	52/229 B	26 June 1998
UNTAC	52/239	26 June 1998
ONUMOZ	52/240	26 June 1998
UNOSOM ^a	-	-
MIPONUH	53/222 B	8 June 1999
United Nations Civilian Police Support Group	53/234	8 June 1999
MINURCA	53/238	8 June 1999

^a The concurrence of the Advisory Committee on Administrative and Budgetary Questions is contained in a letter dated 16 July 1997.

(d) Voluntary contributions:

(i) General provisions:

a. In accordance with General Assembly resolution 44/192 A, voluntary contributions made as outright grants, both in cash and in the form of services and supplies acceptable to the Secretary-General, shall be considered income to be credited to the special account for each peacekeeping operation except the United Nations Interim Force in Lebanon (UNIFIL). Contributions in cash made available to the Secretary-General on a voluntary basis as advances shall not be considered as income in determining the total amount to be assessed on Member States; unless otherwise specified by the donor, such contributions shall be deposited in suspense accounts;

b. In that resolution, the Assembly took note of certain proposals on technical guidelines relating to the treatment and valuation of voluntary contributions in the form of supplies and services. Those guidelines include the provision that, where a voluntary contribution in kind is made as a grant in respect of supplies and services and for which there is no budgetary provision, no accounting entry will be made, but the amount of the contribution will be reflected in a footnote to the financial statements. Where such contributions are made in respect of supplies and services included in the budget, they will be recorded as income under the heading "Voluntary contributions" at the level at which the supplies and services have been budgeted; they will be recorded in the accounts only at the time of delivery of supplies or commencement of services;

(ii) United Nations Peacekeeping Force in Cyprus accounts:

a. Prior to 16 June 1993, the Secretary-General was not authorized to utilize any funds other than the voluntary contributions pledged by Governments for the financing of the United Nations Peacekeeping Force in Cyprus (UNFICYP). In accordance with financial rule 106.1, no commitments, obligations or disbursements against any funds could be incurred without the written authorization of the Controller or his authorized delegate. Such

authorizations take the form of allotments, which could be issued for the period prior to 16 June 1993 only after sufficient contributions had been received to meet the requirements for financial obligations. UNFICYP allotments and the recording of obligations for the period prior to 16 June 1993 are limited to amounts that are within the total of pledged contributions. As a consequence, the full amount of UNFICYP obligations that will be payable for the period prior to 16 June 1993 has not been recorded, in particular in respect of reimbursements for extra costs in connection with pay and allowances of contingents and for extra costs in connection with contingent-owned equipment. The amount of such unrecorded obligations is reflected in a footnote to the appropriate financial statements;

b. The General Assembly decided by resolution 47/236 of 14 September 1993 that, beginning 16 June 1993, the costs of UNFICYP should be treated as expenses of the Organization to be borne by Member States in accordance with Article 17, paragraph 2, of the Charter of the United Nations. Mandate periods from 16 June 1993 to 30 June 2000 have been established, for which appropriations and assessments have been raised on the Member States in accordance with relevant General Assembly resolutions;

(c) Peacekeeping Reserve Fund:

By its resolution 47/217 of 23 December 1992, the General Assembly established the United Nations Peacekeeping Reserve Fund as a cash-flow mechanism to ensure the rapid response of the Organization to the needs of peacekeeping operations. The level of the Peacekeeping Reserve Fund was established at \$150 million. In accordance with the resolution, \$49,242,762 was allocated from unencumbered balances in the Special Account of the United Nations Transition Assistance Group, \$18,156,200 from unencumbered balances in the Special Account of the United Nations Iran-Iraq Military Observer Group and \$82,601,038 from authorized retained savings in the United Nations General Fund.

Note 4. Explanatory notes on assessed contributions receivable

Assessed contributions receivable, as shown in the accounts for the period ended 30 June 2000, have been recorded in accordance with the Financial Regulations and Rules of the United Nations, the relevant resolutions of the General Assembly and the policy of the United Nations. With reference to the amounts shown as unpaid, certain Member States have indicated that they do not intend to pay some of their assessed contributions, or that such contributions will be paid only under certain conditions. Based on United Nations policy as stated in note 2 (k) (iii) above, no provision has been made for delays in the collection of outstanding assessed contributions. With regard to the foregoing, a number of Member States have requested that attention be drawn to their positions (as stated by their delegations at successive sessions of the Assembly), in particular with respect to the following:

(a) To the extent that the amounts relate to expenditures under the ad hoc account for the United Nations Operation in the Congo (ONUC) and the United Nations Emergency Force (1956) (UNEF) Special Account, which, in the view of some Member States, were illegal, they do not consider themselves bound, under the provisions of Article 17 of the Charter of the United Nations, to participate in

paying for those expenditures. As a result, withholdings by certain Member States from payments for the financing of ONUC (statement XXXVI) and UNEF 1956 (statement XXXVII) are estimated to be \$70.2 million and \$38.6 million respectively. The estimate, which is based on the apportioned shares of the States concerned, excludes \$6.7 million and \$5.3 million, respectively, in unpaid assessed contributions to ONUC and UNEF (1973) by China for the period up to 24 October 1971. Following the adoption by the General Assembly of its resolution 2758 (XXVI), entitled "Restoration of the lawful rights of the People's Republic of China in the United Nations", on 25 October 1971, that amount was transferred to a special account pursuant to Assembly resolution 3049 C (XXVII) of 19 December 1972;

(b) Certain Member States have stated that they do not intend to participate in the financing of UNEF (1973), the United Nations Disengagement Observer Force (UNDOF) and UNIFIL; other States have stated that they have excluded from their contributions to UNEF (1973) their shares of the expenses that they attribute to the additional functions resulting from the agreement of 4 September 1975 between Egypt and Israel;

(c) As a result of the positions taken by some Member States as outlined above, certain Member States have not participated in the financing of UNEF (1973) and UNDOF in an estimated amount of \$5.1 million, which covers UNEF (1973) until its liquidation in 1979 and UNDOF to 30 June 2000. That amount excludes \$36 million in unpaid assessed contributions by China for the period from 25 October 1971 to 31 December 1981, which was transferred to a special account by virtue of General Assembly resolution 36/116 A of 10 December 1981;

(d) Withholdings by certain Member States from payments for the financing of UNIFIL are estimated to be \$40.4 million. That estimate, which is based on the apportioned shares of the States concerned from the inception of UNIFIL on 19 March 1978 to 30 June 2000, excludes \$19.6 million in unpaid assessed contributions by China for the period from 25 October 1971 to 31 December 1981, which was transferred to a special account under General Assembly resolution 36/116 A;

(e) Status of unpaid assessed contributions as at 30 June 2000:

(i) Contributions receivable from Member States as at 30 June 2000 are shown in most peacekeeping financial statements only in total. Detailed information for each of the separate peacekeeping operations on assessments and collections as at 30 June 2000 and on all outstanding balances due for each Member State is shown in a separate schedule for each mission account;

(ii) The status of contributions report for 30 June 2000 (ST/ADM/SER.B/562) was printed too early in July to reflect any assessments approved by the General Assembly in late June. However, the financial statements in all cases do include such late-June assessments as income, and the new amounts due become part of the outstanding contributions from Member States shown as at 30 June 2000. As a result, in some cases the amounts shown as contributions outstanding from Member States as at 30 June in the financial statements may be higher than the corresponding amounts shown in the status of contributions report as at 30 June. In those instances, the late-June assessments are reflected in the report on status of contributions as at 31 July 2000 (ST/ADM/SER.B/563).

Note 5. Peacekeeping special account fund summaries: income and expenditure and changes in reserves and fund balances (statement I); assets, liabilities, reserves and fund balances (statement II); and cash flow (statement III)

(a) Statements I, II and III contain financial results for all United Nations peacekeeping funds, which are broken down into three groups of related funds and consolidated into a grand total reflecting all individual peacekeeping accounts of the Organization. This consolidated presentation should not be interpreted to mean that any of the individual funds can be used for any other purpose than that for which it is authorized. The financial results of all peacekeeping operations are summarized in statements I and II. These are categorized as all active peacekeeping missions (statements IV-XVIII), the Peacekeeping Reserve Fund (statement XIX), the support account for peacekeeping operations (statement XX), the United Nations Logistics Base at Brindisi (statement XXI), and completed peacekeeping missions (statements XXII-XXXVII).

(b) To comply with the new uniform financial statement formats, statement I includes two calculations of the excess (shortfall) of income over expenditure. The first calculation is based on income and expenditure only for the current period. The second calculation shown is a net one, which includes any prior period adjustments to income or expenditure.

(c) The cash flow summary statement for peacekeeping operations (statement III) is based on the indirect method of cash flow statements covered by international accounting standard 7.

Note 6. United Nations Emergency Force (1973) and United Nations Disengagement Observer Force (statement V)

The General Assembly, on a number of occasions, has authorized the temporary suspension of financial regulations 5.2 (b), 5.2 (d), 4.3 and 4.4 in order to allow UNEF/UNDOF to retain certain amounts of surplus that otherwise would have been returned to Member States. Under the terms of Assembly resolution 50/83 of 15 December 1995, the authorized retained surplus was reduced proportionately by a total of \$15.3 million to offset in part the waiver of South Africa's unpaid contributions to various peacekeeping operations for the period from 30 September 1974 to 23 June 1994. Under the terms of General Assembly resolution 53/226 of 8 June 1999, the UNEF share of the authorized retained surplus amounting to \$49,609,273 was reduced by \$5,600,000. Under the terms of Assembly resolution 54/266 of 15 June 2000, the authorized retained surplus was further reduced by \$4,022,102, being the second instalment towards a total of \$13,622,162 (resolution 53/226) to be credited back to Member States, leaving a balance of authorized retained surplus of \$39,987,111 as at 30 June 2000.

Note 7. United Nations Interim Force in Lebanon (statement VI)

The General Assembly, on a number of occasions, has authorized the temporary suspension of financial regulations 5.2 (b), 5.2 (d), 4.3 and 4.4 in order to allow UNIFIL to retain certain amounts of surplus that otherwise would have been returned to Member States. Under the terms of Assembly resolution 50/83, those authorized retained surpluses were reduced proportionately by a total of \$25.6 million to offset in part the waiver of South Africa's unpaid contributions to various

peacekeeping operations for the period from 30 September 1974 to 23 June 1994. The total authorized retained surplus was \$82,877,949 as at 30 June 2000.

Note 8. Non-expendable equipment

The following table shows the value of non-expendable equipment, at cost, at peacekeeping missions, according to the cumulative inventory records of the United Nations as at 30 June 2000. In accordance with United Nations accounting policies, non-expendable equipment is not included in the fixed assets of the Organization, but is charged against the current appropriations when acquired.

<i>Peacekeeping mission^a</i>	<i>Amount^b (millions of United States dollars)</i>
UNFICYP	9.2
UNDOF	29.9
UNIFIL	115.3
UNIKOM ^c	21.3
MINURSO	23.9
UNMIBH	56.8
UNOMIG ^d	13.1
UNMOT	0.1
UNSMIH/UNTMIH/MIPONUH	0.8
United Nations Logistics Base at Brindisi	44.8
UNAMSIL	21.0
UNMIK	82.9
MONUC	6.4
UNTAET	31.8
Total	457.3

^a Excludes MONUA and MINURCA, since on-site liquidation activities ended on 31 October 1999 and on 30 April 2000, respectively.

^b The Department of Peacekeeping Operations has introduced a field assets control system in all peacekeeping missions. During the conversion of non-expendable property records to the system, certain adjustments have been made to the ending balance reported.

^c Excludes contingent-owned equipment amounting to \$15,500,000 which was inadvertently reported as non-expendable property as at 30 June 1999.

^d Excludes incorrect value for purchase of a Renault truck inadvertently entered with a purchase price of \$8,800,000, instead of \$88,000, which was reported as non-expendable property as at 30 June 1999.

Note 9. Contingent liabilities

(a) International accounting standard 37 broadly defines contingency as an existing condition, situation or set of circumstances involving uncertainty as to possible gain or loss that will ultimately be resolved when one or more future events occur or fail to occur.

(b) The Organization may have contingent liabilities arising from various peacekeeping operations of a material but undeterminable amount in respect of

certain claims for reimbursement of services provided by Governments that are under negotiation, as well as pending claims in arbitration filed by various vendors who provided services to peacekeeping operations. The total of such claims for peacekeeping operations, as shown below, as at 30 June 2000, amounts to \$68 million. Based on past experience, it should be noted that the amount of compensation either settled or awarded by the arbitral tribunal is significantly lower than the amount claimed.

<i>Peacekeeping mission</i>	<i>Contingent liabilities (millions of United States dollars)</i>
MONUA	1.3
UNPF	1.8
UNAMIR	2.1
UNOSOM	62.8
Total	68.0

Note 10. Liabilities for end-of-service and post-retirement benefits

(a) The United Nations has not specifically recognized in any of its financial accounts liabilities for after-service health insurance costs or the liabilities for other types of end-of-service payments which will be owed when staff members leave the Organization. Such payments are budgeted for in the regular budget and in peacekeeping operations, and the actual costs incurred in each financial period are reported as current expenditures.

(b) In order to gain a better understanding of the financial dimensions of the Organization's liabilities for after-service health insurance, a consulting actuary was engaged to carry out an actuarial valuation of post-retirement health insurance benefits as of 1 January 1997. The results of that exercise were disclosed in the notes to the financial statements (note 23) set out in the financial report and audited financial statements for the biennium ended 31 December 1997.^a The actuarial valuation was updated and, on the basis of the study, it was estimated that the United Nations liability as at 1 January 1999 projected to 31 December 1999 for after-service health insurance benefits covering all participants, regardless of funding source, is as follows:

	<i>Present value of future benefits Projected to 31 December 1999</i>	<i>Accrued liability</i>
Gross liability	1 661 457 000	1 377 035 000
Offset from retiree contributions	360 417 000	299 774 000
Net liability	1 301 040 000	1 077 261 000

(c) The figures for the present value of future benefits shown above are the discounted values of all benefits to be paid in the future to all current retirees and active employees expected to retire. The accrued liabilities represent those portions of the present values of benefits that have accrued from the staff members' dates of entry on duty until the valuation date. Active staff members' benefits are fully

accrued when the staff members have reached their dates of full eligibility for benefits.

(d) Staff members who separate from the Organization are entitled to be paid for any unused vacation days they may have accrued up to a maximum of 60 days. The Organization's total liability for such unpaid accrued vacation compensation, regardless of funding source, as of 31 December 1999 is estimated to be between \$80 million and \$90 million.

(e) Some staff members are entitled to repatriation grant and related expenditures of relocation upon their termination from the Organization, based on the number of years of service. The Organization's liability for such unpaid repatriation and relocation entitlement, regardless of funding source, as of 31 December 1999 is estimated to be between \$75 million and \$85 million.

Notes

^a *Official Records of the General Assembly, Fifty-second Session, Supplement No. 5 (A/52/5), vol. I.*

Annex I

Peacekeeping operations funded by the regular budget: status of appropriations by major object of expenditure for the six-month period of the biennium 2000-2001 ended 30 June 2000

(Thousands of United States dollars)

<i>Programme</i>	<i>Appropriation</i>	<i>Salaries and common staff costs</i>	<i>Travel</i>	<i>Contractual services</i>	<i>Operating expenses and supplies</i>	<i>Acquisitions and new premises</i>	<i>All other expenses</i>	<i>Total expenditure</i>	<i>Unencumbered balance</i>
Executive direction and management	9 682	1 961	155	-	162	137	-	2 415	7 267
UNTSO	45 829	8 957	551	-	836	273	-	10 617	35 212
UNMOGIP	16 441	1 578	234	-	1 007	127	-	2 946	13 495
Field operations support	4 143	715	-	-	-	-	-	715	3 428
Total	76 095	13 211	940	-	2 005	537	-	16 693	59 402

Annex II

Activities related to peacekeeping operations funded by trust funds: schedule of income, expenditure, reserves and fund balances for the fiscal year ended 30 June 2000

(Thousands of United States dollars)

<i>Trust fund</i>	<i>Reserves and fund balances beginning of period</i>	<i>Income</i>	<i>Expenditures, transfers and adjustments</i>	<i>Reserves and fund balances end of period</i>
Trust Fund for Iraq-Kuwait Border Issues	854	57	-	911
Trust Fund for the Restoration of Essential Services in Sarajevo	7 447	452	768	7 131
Trust Fund for Implementation of the Cotonou Accord on Liberia	3 481	219	428	3 272
Trust Fund to support the implementation of the Agreement on Temporary Ceasefire and the Cessation of Other Hostile Acts on the Tajik-Afghan Border and within the Country for the Duration of the Talks	18	1	-	19
Trust Fund for the Implementation of the Peace Process in Mozambique	5	-	5	-
Trust Fund to Support the Multi-National Force Deployed in East Timor	-	106 934	-	106 934
Trust Fund for the United Nations Transitional Authority in East Timor	-	40 314	5 000	35 314
Trust Fund for Economic Revitalization and Restoration of Essential Services in Eastern Slavonia	479	33	1	511
Voluntary Fund for the Cambodian Peace Process	3 625	233	-	3 858
Trust Fund for the Activities of the International Support and Verification Commission	3 773	251	-	4 024
Cambodia Trust Fund	1 866	114	37	1 943
Trust Fund for Somalia — Unified Command	10 878	726	-	11 604
Trust Fund for the Common Costs of the Bosnia and Herzegovina Command	161	-	161	-
Trust Fund in Support of the Implementation of the Agreement on a Ceasefire and Separation of Forces signed in Moscow on 14 May 1994	72	4	14	62
Trust Fund to Provide Goods and Services to the International Police Monitoring Programme and Other Specifically Designated Purposes in Haiti	1 200	-	1 200	-
United Nations Trust Fund for Demining Activities in Angola	27	1	28	-
Trust Fund for the Police Assistance Programme in Bosnia and Herzegovina	7 251	1 547	5 645	3 153
Trust Fund for Confidence-Building Measures in Eastern Slavonia	126	9	1	134
Trust Fund for Enhancement of UNSMIH Capacity	10 052	426	10 394	84

<i>Trust fund</i>	<i>Reserves and fund balances beginning of period</i>	<i>Income</i>	<i>Expenditures, transfers and adjustments</i>	<i>Reserves and fund balances end of period</i>
Trust Fund to Support United Nations Peacekeeping-related efforts in Sierra Leone	1 522	219	148	1 593
Trust Fund for the Support of the Activities of MINURCA	785	39	420	404
Trust Fund to Support Public Information and Related Efforts in United Nations Peacekeeping Operations	151	56	84	123
Trust Fund in Support of United Nations Peacemaking and Peacekeeping Activities	40 252	2 353	6 595	36 010
Trust Fund for the Truth Commission in El Salvador	240	14	81	173
Trust Fund for Activities related to Administrative and Budgetary Aspects of Peacekeeping Operations	182	4	178	8
Trust Fund for Assistance to the Office of the Special Representative of the Secretary-General for the Former Yugoslavia	343	18	173	188
Trust Fund for Demining Activities in UNPROFOR	942	-	942	-
Trust Fund for Support from Government and Organizations to the Department of Peacekeeping Operations Lessons-Learned Mechanism	673	235	560	348
Trust Fund for the Financing of a United Nations International Conference on Medical Support for Peacekeeping Operations	64	4	1	67
Trust Fund to Support the Activities of the United Nations Disengagement Observer Force (UNDOF)	201	450	275	376
Trust Fund for Assistance to Military Officers on Loan from Governments in support of Peacekeeping	48	4	16	36
Trust Fund for Improving Preparedness for Conflict Prevention and Peacekeeping in Africa	166	13	(10)	189
Trust Fund for the Rapidly Deployable Mission Headquarters	808	113	-	921
Trust Fund to Support the United Nations Interim Administration in Kosovo	-	36 396	26 916	9 480
Total	97 692	191 239	60 061	228 870

01-24316 (E) 030501

~~~~~