INTERNAL AUDIT DIVISION

AUDIT REPORT

Audit of budget formulation and management in UNAMID

Overall results relating to effective budget formulation and management was initially assessed as partially satisfactory. Implementation of three important recommendations remains in progress.

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

13 August 2012
Assignment No. AP2011/634/15

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APPENDIX 1 Management response

AUDIT REPORT

Audit of budget formulation and management in UNAMID

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of budget formulation and management in the African Union-United Nations Hybrid Operation in Darfur (UNAMID).

2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations, and rules.

3. The Budget Section is responsible for formulating UNAMID's budget in consultation with self-accounting units (SAUs) based on instructions received from the United Nations Controller. The budget cycle is a 12 month period from 1 July to 30 June. The budget and expenditures for 2010/11 fiscal year are shown in Table 1.

Table 1: Financial performance report

Component	Apportionment $'000	Expenditures $'000	Balance $'000	Per cent Variance
Military and police personnel	774,290	705,328	68,962	9%
Civilian personnel	356,724	293,051	63,672	18%
Operational costs	677,114	585,070	92,043	14%
Gross requirements	**1,808,128**	**1,583,449**	**224,677**	**12%**

4. Comments provided by UNAMID are incorporated in *italics*.

II. OBJECTIVE AND SCOPE

5. The audit was conducted to assess the adequacy and effectiveness of UNAMID's governance, risk management and control processes in providing reasonable assurance regarding **effective budget formulation and management.**

6. The audit was included in the 2011 OIOS risk-based work plan due to the importance of effective budget formulation and management in achieving the Mission's mandate.

7. The key control tested for the audit was regulatory framework. For the purpose of this audit, OIOS defined regulatory framework as controls that provide reasonable assurance that policies and procedures: (i) exist to guide UNAMID's budget formulation and management; (ii) are implemented consistently; and (iii) ensure financial and operational information is reliable and produced with integrity.

8. The key control was assessed for the control objectives shown in Table 2.

9. OIOS conducted this audit from August 2011 to May 2012. The audit covered the period from 1 July 2010 to 30 June 2011.

10. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through

interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

III. AUDIT RESULTS

11. UNAMID's governance, risk management and control processes examined were assessed as **partially satisfactory** in providing reasonable assurance regarding **effective budget formulation and management**. OIOS made three recommendations to address issues identified in the audit. Budget submissions of the SAUs were prepared in accordance with instructions issued by the Mission, and detailed costing sheets in support of cost estimates were prepared. However, SAUs did not perform appropriate procedures to ensure the effective management of their budget allocations. The portfolio of evidence to support budget performance was not always readily available or monitored as required by the Mission's standard operating procedures.

12. The initial overall rating of partially satisfactory was based on the assessment of key control presented in Table 2 below. The final overall rating is **partially satisfactory** as implementation of three important recommendations remains in progress.

Table 2: Assessment of key controls

Effective budget formulation and management	**Key controls**	**Control objectives**			
		Efficient and effective operations	**Accurate financial and operational reporting**	**Safeguarding of assets**	**Compliance with mandates, regulations and rules**
	Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Regulatory framework

Adequate procedures for budget planning were in place

13. In formulating its budgets, UNAMID was governed by the instructions received from the United Nations Controller and the Financial Regulations and Rules of the United Nations. The budget was generally developed through a consultative process involving SAUs and those responsible for cost centers. In OIOS' view, these provided reasonable assurance that the requirements of the Mission were properly identified to ensure implementation of its mandated activities.

Inadequate management of the loaning of posts

14. UNAMID reviewed on an ongoing basis its staffing structure, which was established from its inception, and justified the need for additional posts. To this end, the 2010/11 budget provided for 5,522 civilian posts including 1,542 international posts, 3,358 national posts, 616 United Nations volunteers' posts and 6 government posts (the estimate reflected the deployment of six Government-provided correction officers that dated back to 2007/08 budget period). However, UNAMID needed to ensure that the loaning of posts was sufficiently justified by operational necessity. For example: (a) 37 international posts were on loan from one unit/section to another for extended periods; (b) 8 posts had been on loan

since 2008/09 and 12 since 2009/10; and (c) 178 national posts were on loan as at 30 June 2011. In most instances, the reasons for loaning posts were not documented. The Budget Section advised that the Mission's staffing requirements were being reviewed as part of a broader civilian personnel review exercise for the 2013/14 budget.

(1) UNAMID, as part of its 2013/14 budget submission, should review all posts presently on loan. If they are still required by the receiving unit/section, a proper justification for re-deployment should be made in UNAMID's budget proposal to ensure that the posts on loan are regularized.

UNAMID accepted recommendation 1 and stated that it had already initiated the staffing review including the review of borrowed and loaned posts. Detailed guidelines along with Terms of Reference were approved by the Joint Special Representative (JSR) on 17 May 2012 establishing a Civilian Staffing Review Team which should submit its final recommendations by 30 September 2012 to the Steering Group chaired by Deputy JSR for final approval and further inclusion in 2013/14 budget estimates. Recommendation 1 remains open pending receipt of a copy of the recommendations proposed and approved by the Deputy JSR, and evidence that re-deployment of posts are adequately reflected in the 2013/14 budget proposal.

SAUs lacked a reliable basis for managing budget allocations

15. There were discrepancies between records maintained by SAUs and the Budget Section on fund apportionment, redeployment, outstanding obligations and expenditures. For instance, the Budget Section reported approximately $42.3 million as an apportionment to SAUs; however, the records maintained by SAUs showed only $31 million. Also, the records of SAUs showed $15 million in total disbursements while the records maintained by the Budget Section showed $23 million. Budget focal points in the SAUs had access to Funds Monitoring Tool (FMT) as well as Sun System; however, they preferred to use Excel spreadsheets while the Budget Section used FMT for budget monitoring purposes. The lack of accurate and reliable information precluded SAUs from effectively managing their respective budget allocations.

(2) UNAMID should ensure that certifying officers of self-accounting units take advantage of existing tools including the Funds Monitoring Tool and the Sun System to assist in the mangement of budget allocations.

UNAMID accepted recommendation 2 and stated that it plans to organize training on FMT during the third quarter of 2012/13 in coordination with Field Finance Division of the Department of Management. The Sun system training will be organized using in-house resources during the second quarter of 2012/13 financial period. Recommendation 2 remains open pending confirmation that the required trainings on FMT and Sun System have been completed.

Portfolio of evidence was not consistently recorded nor monitored

16. The General Assembly requires that outputs reported in connection with the results-based budget (RBB) must be supported by a portfolio of evidence. UNAMID did not maintain an adequate portfolio of evidence for the outputs reported by some of its 26 sections/units in connection with the RBB. Of 10 sections/units reviewed, the Engineering Section and Military components were unable to provide the portfolio of evidence for their respective outputs in the 2010/11 budget performance report. The sections indicated that their budget focal points were not adequately instructed to maintain such evidence.

(3) UNAMID should ensure that sections/units responsible for outputs reported in the results-based budget performance reports maintain appropriate portfolio of evidence in compliance with the requirements of the General Assembly.

UNAMID accepted recommendation 3 and stated that progress on a RBB framework was reviewed on a monthly basis by respective sections/units and reported quarterly to Office of Chief of Staff through the Planning Unit along with relevant portfolio of evidence. The Planning Unit was responsible for saving the relevant information, and preparing the final RBB performance report. Recommendation 3 remains open pending OIOS' verification that the Engineering Section and Military components have adequate records to support their respective portfolio of evidence.

IV. ACKNOWLEDGEMENT

17. OIOS wishes to express its appreciation to the Management and staff of UNAMID for the assistance and cooperation extended to the auditors during this assignment.

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ANNEX I

STATUS OF AUDIT RECOMMENDATIONS

Audit of budget formulation and management in UNAMID

Recom. no.	Recommendation	Critical[1]/ important[2]	C/ O[3]	Actions needed to close recommendation	Implementation date[4]
1	UNAMID, as part of its 2013/14 budget submission, should review all posts presently on loan. If they are still required by the receiving unit/section, a proper justification for re-deployment should be made in UNAMID's budget proposal to ensure that the posts on loan are regularized.	Important	O	Confirmation on the conclusion of staffing review exercise conducted and submission of recommendations made by the Steering Group on posts presently on loan.	30 September 2012
2	UNAMID should ensure that certifying officers of self-accounting units take advantage of existing tools including the Funds Monitoring Tool and the Sun System to assist in the management of budget allocations.	Important	O	Confirmation that the required trainings on FMT and Sun System have been completed.	31 March 2013
3	UNAMID should ensure that sections/units responsible for outputs reported in the results-based budget performance reports maintain appropriate portfolio of evidence in compliance with the requirements of the General Assembly.	Important	O	OIOS' verification that the Engineering Section and Military components have adequate records to support their respective portfolio of evidence.	31 August 2012

1 Critical recommendations address significant and/or pervasive deficiency or weakness in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.
2 Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.
3 C = closed, O = open
4 Date provided by UNAMID in response to recommendations.