

Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

AUDIT REPORT

Financial management function to support peacekeeping and special political missions

Further collaboration by the Department of Management and the Department of Field Support is required to improve the monitoring of the implementation of field missions' budgets

29 September 2009

Assignment No. AP2008/615/04

United Nations  Nations Unies

INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

OFFICE OF INTERNAL OVERSIGHT SERVICES · BUREAU DES SERVICES DE CONTRÔLE INTERNE
INTERNAL AUDIT DIVISION · DIVISION DE L'AUDIT INTERNE

TO: Ms. Susana Malcorra, Under-Secretary-General
A: for Field Support

DATE: 29 September 2009

Ms. Angela Kane, Under-Secretary-General
for Management

REFERENCE: IAD: 09- 02924

FROM: Fatoumata Ndiaye, Acting Director
DE: Internal Audit Division, OIOS

SUBJECT: **Assignment No. AP2008/615/04 – Audit of financial management function to support
OBJET: peacekeeping and special political missions**

1. I am pleased to present the report on the above-mentioned audit.
2. Based on your comments, we are pleased to inform you that we will close recommendation 3 in the OIOS recommendations database as indicated in Annex 1. In order for us to close the remaining recommendations, we request that you provide us with the additional information as discussed in the text of the report and also summarized in Annex 1.
3. Your response indicated that you did not accept recommendation 5. In OIOS' opinion however, this recommendation seeks to address significant risk areas. We are therefore reiterating it and requesting that you reconsider your initial response based on the additional information provided in the report.
4. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as high risk (i.e., recommendations 4 and 5) in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. Jun Yamazaki, Assistant Secretary-General, Controller, DM
Mr. Rick Martin, Officer-in-Charge, Field Budget and Finance Division, DFS
Ms. Catherine Vendat, Director, Peacekeeping Financing Division, DM
Ms. Sharon Van Buerle, Director, Programme Planning and Budget Division, DM
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Ms. Susanne Frueh, Executive Secretary, Joint Inspection Unit Secretariat
Mr. Moses Bamuwamye, Chief, Oversight Support Unit, DM
Mr. Seth Adza, Chief, Audit Response Team, DFS
Mr. Byung-Kun Min, Programme Officer, OIOS
Ms. Eleanor Burns, Chief, Peacekeeping Audit Service, OIOS

INTERNAL AUDIT DIVISION

FUNCTION

“The Office shall, in accordance with the relevant provisions of the Financial Regulations and Rules of the United Nations examine, review and appraise the use of financial resources of the United Nations in order to guarantee the implementation of programmes and legislative mandates, ascertain compliance of programme managers with the financial and administrative regulations and rules, as well as with the approved recommendations of external oversight bodies, undertake management audits, reviews and surveys to improve the structure of the Organization and its responsiveness to the requirements of programmes and legislative mandates, and monitor the effectiveness of the systems of internal control of the Organization” (General Assembly Resolution 48/218 B).

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EXECUTIVE SUMMARY

Financial management function to support peacekeeping and special political missions

OIOS conducted an audit of financial management function to support peacekeeping and special political missions. The overall objective of the audit was to assess the adequacy and effectiveness of internal controls over financial management in guiding and supporting field missions. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

Internal controls in financial management to support field operations were generally in place. There has been improvement in the overall budget process in the past two years. However, further collaboration by the Department of Field Support (DFS) and the Department of Management (DM) is required to improve the monitoring of the implementation of field missions' budgets. The main findings were as follows:

- DFS and DM have established budget monitoring controls reducing the time taken to submit budget reports to the legislative bodies. However, there is a need to further reduce time for budget review at Headquarters;
- DFS' role in monitoring the use of resources in field missions was not clearly defined creating a risk of duplication with DM or gaps in internal controls;
- There is a need to address inconsistency in the management of allotments and expenditures due to the different budget approaches and formats used in peacekeeping and special political missions (SPMs) which adversely affects the governance, accountability and efficiency in budget implementation by SPMs;
- The guidelines on the budget process, the processing of claims from Member States and mission liquidation activities have not been updated for a number of years and in some cases the procedures were not applicable for SPMs; and
- As of April 2009, the contingent-owned equipment claims calculation module planned for implementation in December 2006 was not yet operational.

OIOS made a number of recommendations to further strengthen existing controls and improve the guidance and procedures over financial management and the budget process.

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I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of financial management function to support peacekeeping and special political missions (SPMs). The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. The Office of Programme Planning, Budget and Accounts (OPPBA) of the Department of Management (DM), through the Peacekeeping Financing Division (PFD) and the Programme Planning and Budget Division (PPBD), establishes financial policies and procedures for estimation of resource requirements, implementation of approved budgets and the monitoring of resources in both peacekeeping missions (PKMs) and SPMs, respectively. In the last few years, field missions have grown in size and complexity, and the volume of transactions pertaining to them has increased considerably. The Field Budget and Finance Division (FBFD) (formerly the Finance Management and Support Service {FMSS}) of the Department of Field Support (DFS) was created, effective 1 July 2007 to provide dedicated support and advice on financial matters related to field missions and facilitate timely reimbursement of participating Member States.

3. In 2005, OIOS reviewed financial management and budgeting in peacekeeping operations (AP2005/600/19) and found the lack of clarity in accountability and responsibility over the budget process causing overlap in review of missions' budget submissions and performance reports between FMSS and PFD.

4. As of April 2009, FBFD was responsible for supporting the formulation of budget proposals and performance reports for 16 PKMs including the United Nations Logistic Base in Brindisi (UNLB) and 17 SPMs. It also provides day-to-day operational support in field finance matters including liquidation activities of eight closing missions. FBFD is also responsible for negotiating the Memoranda of Understanding (MoUs) with Troop-Contributing Countries (TCCs) and processing of claims from Member States.

5. In the last eight years, there was a significant increase in PKMs budgets from \$2.7 billion in 2001/2002 to \$6.9 billion in 2008/2009. The level of support account budget required for backstopping peacekeeping operations remained fairly constant at approximately 4 per cent of the overall peacekeeping budget increasing from \$90 million in 2001/2002 to \$282 million in 2008/2009 (see Figure 1 below). There was also an increase in SPMs budgets from \$94 million in 2002 to \$444 million in 2009 (see Figure 2 below).

Figure 1: Analysis of budgets in PKMs and support account

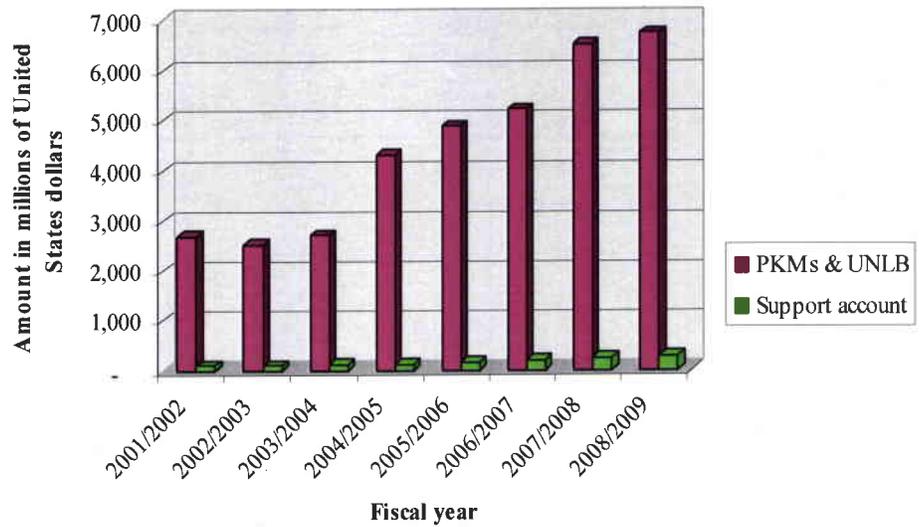
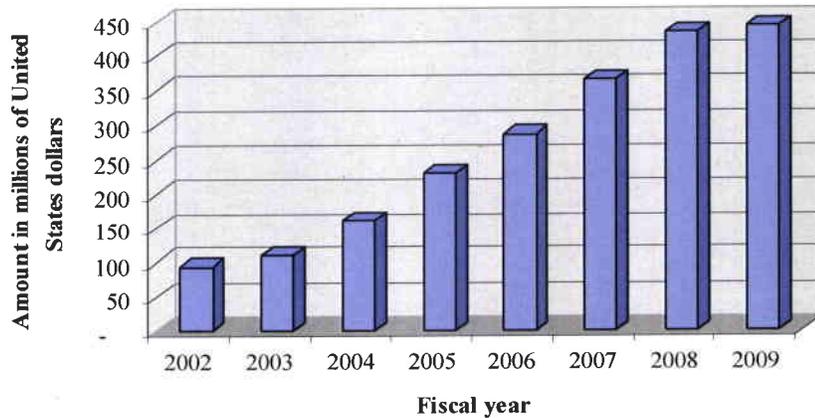


Figure 2: Analysis of SPMs budgets



6. Comments made by DFS and DM are shown in *italics*.

II. AUDIT OBJECTIVES

7. The main objective of the audit was to assess the adequacy and effectiveness of internal controls over financial management to support field missions in the following areas:

- (a) Effectiveness of budget and finance operations of FBFD in guiding and providing support to field missions;
- (b) Reliability and integrity of operational and financial data; and
- (c) Compliance with the relevant Financial Regulations and Rules of United Nations (UNFRR).

III. AUDIT SCOPE AND METHODOLOGY

8. The audit covered DFS' financial management activities in support of PKMs and SPMs for the fiscal years 2006/2007 to 2008/2009 and 2006 to 2008, respectively including consideration of ongoing actions and initiatives in the budget process reform. The audit also reviewed FBFD's activities in processing of claims from Member States for the same period. Specific issues related to the field mission budget process and the monitoring of the use of resources by DM were also reviewed.

9. The audit methodology comprised: (a) review of the budget process and related guidelines; (b) review of financial management activities in processing of claims of Member States including analysis of financial data; (c) interviews with responsible personnel; and (d) assessment of internal controls.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Budget preparation process

Submission of budget proposals

10. The Advisory Committee on Administrative and Budgetary Questions (ACABQ) in its various reports to the General Assembly expressed concern over delays in submission of budget proposals for review and noted that the functions of the Secretariat units and field missions involved in budget preparation should ensure more budget discipline and improve coordination (A/62/781, A/62/7/Add.29 and A/61/852). The timelines for the formulation and submission of budget proposals are set out in the Controller's instructions issued to the field missions and the relevant departments at Headquarters. The PKMs budget cycle begins from 1 July to 30 June of the following year while that of SPMs runs from 1 January to 31 December.

11. In an effort to monitor the causes of delay, both DFS and DM established mechanisms for tracking submission timelines against target dates. For comparison purposes, OIOS analyzed delays based on submission dates of budget reports including advance copies thereof for PKMs. Overall, there was a reduction in the time taken to submit budget reports to the legislative bodies. While the deadlines for submission were still not achieved, the average delays in the last two years reduced to 25 days for PKMs and 3 days for SPMs supported by FBFD (see Figure 3 below).

Figure 3: Average delays in submission of budget report (in days)

Field missions	Submission of field budget proposals to the Controller		Budget review at Headquarters (DM/DFS)**		Submission of budget reports to the ACABQ	
	2008/2009	2009/2010	2008/2009	2009/2010	2008/2009	2009/2010
PKMs	2 days	Nil	87 days	58 days	49 days*	25 days*
	2008	2009	2008	2009	2008	2009
SPMs	2 days	3 days	13 days	2 days	16 days	3 days

* - Including advance copies submitted prior to translation in the United Nations official languages.
 ** - Time taken from receipt of budget proposals from field missions to submission of reports to the Department of General Assembly and Conference Management for reproduction and distribution.

12. OIOS noted that the deadlines for submission of the budget proposals to the Controller were generally met. However, there were some delays in the budget review process at DM. OIOS was informed that there were vacant posts in PFD contributing to the delays in preparation of 2008/2009 PKMs budgets. PFD has since filled its vacancies, and attributed the 2009/2010 delays to the change of mandates for some missions and inadequate justification of the budget proposals requiring follow-up and clarification from FBFD. While OIOS acknowledges achievements in reduction of the overall period for submission of budget reports to the legislative bodies, DM still needs to further reduce the time taken for review of budget proposals in order to meet the deadlines.

Need to document the criteria for future ABACUS visits

13. To improve the quality and timeliness of mission budget proposals, FBFD started the “ABACUS initiative”; a programme aimed at providing hands-on support and to coordinate the finalization of budget proposals in the field prior to their submission to DFS and the Department of Peacekeeping Operations (DPKO). The FBFD-led ABACUS teams comprise members of the four divisions of DFS which include finance, field personnel, logistics and information technology support functions.

14. The initiative, which was piloted in four PKMs in 2007 and was continued in 10 field missions in 2008, reduced the time for DFS’ budget review from approximately three weeks to one day. The results of post-ABACUS surveys conducted in field missions showed that the ABACUS initiative contributed positively to the timeliness and quality of field budget proposals.

15. According to DFS, the high vacancy rates in field missions’ administrative support functions and the lack of experienced staff have increased the requirement for ABACUS to complement the mission’s capacity. In this regard, FBFD is in the process of building the missions’ longer-term capacity in budget and finance areas by recruiting staff through its programme for advanced compendium of trainees (PACT), which aims at training and providing selected candidates with experience in United Nations operations prior to their deployment in field missions. Once the mission vacancies are filled with

experienced staff, FBFD expects the need for ABACUS visits to decrease. However, the initiative is envisaged to continue on a case-by-case basis determined on the judgement of the significance of budget issues, as well as to assist in large and medium size field operations.

16. To effectively determine the necessity of future ABACUS visits and the composition of the teams, OIOS is of the view that FBFD needs to develop its criteria for selecting field missions which may include such factors as budget size, field personnel experience, staffing levels, change in mandates and the timing of previous visits.

Recommendation 1

(1) DFS should develop criteria for future ABACUS visits which include such factors as budget size, the timing of last visit, staffing levels, field personnel experience and changes in mandate to ensure that capacity building is accomplished and resources for travel are economically used.

17. *DFS accepted recommendation 1 stating that the current standard practice for selection of the missions for ABACUS visits is based on the complexity, size, staffing levels and the deployment stage of the mission. DFS further added that it will review the criteria based on lessons learned and anticipates this project to be completed by the second quarter of 2010. Recommendation 1 remains open pending confirmation that criteria for ABACUS visits have been developed.*

Inadequate guidance in preparation of field missions' budgets

18. The standard operating procedures (SOPs) for budget preparation are dated 2004 when most of the field support operations related to PKMs. As a result, the current SOPs need to be revised to reflect changes that have occurred in the budget process and related procedures.

19. Moreover, as SPMs are financed from the regular budget, their budget preparation process differs from that of peacekeeping missions. OIOS notes that DFS is in the process of developing specific guidance for SPMs budget preparation.

Recommendation 2

(2) DFS should update its standard operating procedures on the peacekeeping budget preparation process to reflect current practice and include therein budget preparation guidelines for special political missions.

20. *DFS accepted recommendation 2 stating that it was in the process of updating the SOPs on the budget preparation process for field missions. Recommendation 2 remains open pending receipt of a copy of the updated SOPs on the budget preparation process.*

B. Budget performance and monitoring

Submission of budget performance reports of field missions

21. Concurrent with the formulation of budget proposals in field missions, FBFD is also responsible for the timely submission of field performance reports prepared by the individual peacekeeping missions. The deadlines for submission of performance reports in the context of results-based budgeting (RBB) frameworks and detailed performance reports are included in the Controller's budget instructions. The ACABQ in its 2007 (A/61/852) and 2008 (A/62/781) reports to the General Assembly raised concern on the late submission of PKMs performance reports to legislative bodies, which in some cases were delayed by 70 days.

22. OIOS found that both DFS and DM had established mechanisms to monitor the dates of submission of performance reports. As a result, the delays were eliminated, and all the 2007/2008 budget performance reports were submitted on time. OIOS, therefore, does not issue a recommendation.

FBFD's budget process indicators of achievement

23. One of the key functions of FBFD is to support and assist missions in the formulation of their respective budget proposals and coordinate the budget performance reporting to ensure that quality submissions to the Controller are made in a timely manner. A review of the support account performance reports for the last two years found the absence of clear indicators of achievement with respect to the FBFD's supporting role in the budget process.

24. In the 2007/2008 performance report of the support account, FBFD reported that six PKMs participated in one video conference as its indicator of achievement. In 2006/2007 performance report, no budget indicators of achievement were reported. The RBB guidelines require the formulation of all elements of the RBB logical framework to be specific, measurable, attainable, realistic and time-bound (SMART).

25. While OIOS acknowledges the various FBFD's accomplishments in supporting field missions' budget process, the reported indicator of participation of field missions in a video conference is not SMART compliant and does not provide an overall measure of its performance in accordance with the RBB guidelines.

Recommendation 3

(3) DFS should develop measurable indicators of achievement with respect to the budget process for the support account to comply with the results-based budgeting guidelines and improve the presentation of its accomplishments to stakeholders.

26. *DFS commented that the indicators of achievement on the budget process reflected in the support account for 2009/2010 were SMART and directed towards achieving further reduction in the budget review time. OIOS acknowledges DFS' comments and improvements in developing measurable indicators of achievement in the budget process for 2009/2010 and has closed recommendation 3.*

FBFD's role in monitoring the use of field missions' resources is unclear

27. According to the ST/SGB/2003/16 - Organization of the Office of Programme Planning, Budget and Accounts, OPPBA is responsible for the sound financial management of all resources made available to the Organization and ensures their effective and efficient use, directly or indirectly through delegation of authority and/or instructions to other offices of the United Nations. PFD is responsible for the monitoring of PKMs resources, while PPBD monitors SPMs resources.

28. OIOS noted that the Secretary-General's Bulletin (SGB) defining the roles and responsibilities of the various divisions in DFS was in the process of being developed. OIOS further noted that FBFD had indicated in its website that it ensured the cost effective use of resources in supporting the operational requirements of PKMs. In addition, paragraph 182 of the 2008/2009 support account budget (A/62/783) defined the responsibilities of FBFD' field budget and finance officers to include:

- The monitoring of field missions' allotments, redeployment of funds, budget implementation, and expenditures to ensure that they remain within the authorized levels; and
- The administration and monitoring of extra budgetary resources, including review of agreements and cost plans and ensuring compliance with regulations and rules and established policies and procedures.

29. Presently, neither DM nor DFS have a structured and systematic process for monitoring the use of field missions' resources; it is only done during the budget preparation process when year-to-date expenditures are projected to the year-end and explanations are obtained for variances. DFS stated that their role in budget implementation was advisory since the delegation of authority to implement the budgets has been granted directly to the officers in field missions. DM, however, commented that DFS had a responsibility to ensure that the implementation of mission mandates are being delivered within approved resources and that updated financial information is available to make informed decisions on budgetary and financial issues; while DM's role in monitoring is to ensure that the expenditure is in line with the approved appropriations and the established UNFRR, in order to report on performance.

30. In OIOS' opinion, further collaboration by DFS and DM is required to improve the monitoring of the implementation of field missions' budgets, as the responsibility for monitoring the use of PKMs and SPMs resources is unclear. There is, therefore, a need for clarification of DFS' role in monitoring the use of

field missions' resources to mitigate the risk of overlap with DM or gaps in internal controls.

Recommendation 4

(4) DFS, in coordination with DM, should clearly define its role in monitoring the use of field missions' budget resources to mitigate the risk of duplication or gaps in internal controls.

31. *DFS accepted recommendation 4 stating that the roles and responsibilities for all actors, including DM and DFS, in the budget process for peacekeeping operations have been clearly defined and reflected in paragraph 20 of the report (A/62/727) of the Secretary-General on the financing of the United Nations peacekeeping operations. DM also stated that it would re-issue instructions requesting budget officers to monitor on a monthly basis PKMs' use of budget resources to ensure timely corrective action during budget execution. In OIOS' opinion, the report A/62/727 does not specifically define the Departments' responsibilities for monitoring the use of field missions' resources. Recommendation 4 remains open pending the issuance of the SGB defining the roles and responsibilities of the various divisions in DFS.*

Need for uniformity in implementing field missions' budgets

32. PKMs adopted a cost centre approach to financial management in 2002 to align the responsibility and accountability for budgets to managers responsible for the delivery of goods and services. Under this approach, PKMs budgets are categorized into 23 budget classes, decentralizing the ownership of the budget to responsible cost centre managers.

33. At the request of the General Assembly, budget proposals and performance reports of SPMs are prepared in the peacekeeping budget format. The implementation of the budgets, however, remains inconsistent as the management of allotments and expenditures for SPMs is done in five regular budget object groups compared to the 23 budget classes used in PKMs. DM explained that the use of the object codes format provides flexibility in implementing SPMs budgets, however, expenditures are converted manually to the peacekeeping budget classes for year-end performance reporting. Moreover, under the current governance structure of the budget process, DM issues allotments directly to PKMs, while SPMs allotments are issued to FBFD. Furthermore, FBFD's certification of SPMs requisitions originating from the Logistics Support Division of DFS creates an additional layer in the governance process.

34. In September 2007, DFS requested DM to apply uniform principles of financial management to all field operations regardless of the funding source. In OIOS' opinion, failure to use the cost centre approach for SPMs creates redundant reporting lines, reduces accountability and dilutes the principles of budget control especially with larger SPMs. Furthermore, the manual conversion of the object code format to the peacekeeping budget classes at year-end is

cumbersome and inefficient. Uniformity in financial management and reporting is also necessary as the United Nations plans to implement the Enterprise Resource Planning (ERP) system.

Recommendation 5

(5) DM, in coordination with DFS, should ensure uniformity in the management of allotments and expenditures in field missions to improve governance, accountability and efficiency in the budget process.

35. *DM did not accept recommendation 5 stating that the use of peacekeeping budget format for SPMs is purely for presentation purposes adding that there was no legislative mandate to implement SPMs budgets in the peacekeeping format. DM further stated that it is necessary to report to the General Assembly on SPMs as part of the total United Nations regular budget and that the authority of the General Assembly is required to treat SPMs separately.*

36. OIOS does not agree with DM’s opinion as the use of parallel formats for budget implementation and presentation purposes is inefficient and weakens budget control in SPMs. Furthermore, as discussed in paragraph 60, SPMs can not utilize information technology support tools such as the Funds Monitoring Tool (FMT) designed for monitoring budgets in peacekeeping missions. OIOS reiterates recommendation 5 and requests DM to reconsider its position. Recommendation 5 remains open pending the implementation of uniform approach in managing allotments and expenditures and implementing budgets in field missions.

C. Financial management activities: processing of claims and liquidation activities

37. The Memorandum of Understanding and Claims Management Section (MCMS) of FBFD is responsible for establishing MoUs with TCCs and certifying claims from Member States for payment. Three types of claims are processed from Member States including those under the Letters of Assist (LOA), the contingent-owned equipment (COE) and the death and disability for troops. As shown in Figure 4 below, a total of 2,040 claims valued at \$821 million were received and processed in 2007/2008 representing a growth of 16 per cent from the previous period.

Figure 4: Statistics of claims processed and certified

Description	2007/2008	2006/2007
Number of claims received	2,040	1,669
Total claims in \$	821,250,245	688,203,754
Total claims certified in \$	764,357,882	643,273,866
Total claims paid in \$	759,262,716	637,171,023
Percentage of claims certified	93.1%	93.5%
Percentage of claims paid	92.5%	92.6%

38. Despite the growth in the level of activity over the last two years, the percentage of claims certified and paid remained high and fairly constant at 93 per cent. OIOS noted the following areas for improvement:

Need for the automated processing of COE claims

39. OIOS' review of a sample of 30 claims for the last two years found an overpayment of \$62,242 resulting from a computation error on COE claim number 17722 of the Cambodia Demining Unit for the quarter ending 30 September 2008. An adjustment to recover the overpayment was made in the subsequent claim of 4 March 2009. While only one error was identified and subsequently corrected by DFS, there is a risk that more errors may occur and not be detected due to the manual processing of the more than 1,500 COE claims certified annually.

40. The processing of COE claims was reviewed in OIOS' 2005 audit of financial management and budgeting (AP2005/600/19). OIOS recommended the automation of the claims calculation process to eliminate the risk of errors. DPKO responded that the claims calculation module would be developed with a target implementation date of December 2006. However, as of April 2009, the recommendation remains open and the module was not yet operational. OIOS reiterates its earlier recommendation that a claims calculation module needs to be implemented to eliminate the risk of errors in the manual processing of COE claims.

Paid claims not approved by TCC representatives

41. The processing of COE claims originates in the field missions when missions submit verification reports to FBFD for certification and payment. Verification reports signed by the mission administration and the contingent representative are used as the basis for calculation of COE reimbursement taking into account the quantity and serviceability of equipment deployed, and specifications as stated in the MoUs.

42. A review of selected COE claims found that verification reports for the Belgium Infantry Battalion in MONUC were not signed by the contingent representative for the period from October 2006 to December 2008, although the claims had been certified by FBFD and paid by DM. The COE Manual and the SOP for claims processing require the contingent commander and the mission administration to co-approve and submit duly signed reports for certification and payment. FBFD explained that a special MoU support arrangement existed in MONUC in which the Belgium TCC was responsible for supplying the COE and the Benin TCC was responsible for providing troops. In the absence of a Belgium contingent or a representative in the mission area, the related verification reports were only signed by MONUC officials.

43. OIOS brought to DFS' attention the risk of potential disputes and liabilities that may arise if the Government of Belgium did not agree with the claims submitted, as signed by MONUC officials. In order to mitigate this risk, OIOS suggested that DFS request the TCC to appoint a representative or

authorize the Benin contingent to sign verification reports. In response, DFS confirmed that the Government of Belgium has indicated that it was satisfied with the current process of reviewing the calculations of its reimbursement. Based on DFS' confirmation, no recommendation has been made.

Delays in negotiation of MoUs

44. One of the goals of the COE system is to have a MoU signed by the troop contributor and the United Nations prior to troop deployment stipulating the obligations of each party related to personnel, major equipment and self-sustainment. Signed MoUs are required before the troop contributors can be paid for equipment and self-sustainment services provided in field missions. According to the Secretary-General's report on the overview of financing for peacekeeping operations (A/62/727), the Secretariat has made a commitment to submit the final draft of MoUs to the permanent missions of troops and formed police contributing countries within three months from the start-up date of negotiations.

45. A review of six selected missions found that most of the deployed units had finalized MoUs as of April 2009. However, in the African Union-United Nations Hybrid Operation in Darfur (UNAMID), only 15 military contingents or 26 per cent of the planned deployment had signed MoUs. According to FBFD, the concurrence of the TCCs with the provisions of the final draft took longer leading to the late signing of MoUs. However, based on OIOS' analysis, it took approximately nine months to negotiate and issue the draft MoUs in UNAMID compared to the target period of three months established to issue the final draft MoUs.

46. DFS attributed delays to the time taken by TCCs to equip their units and the late approval of some TCCs by the host country. As a result of the process delays, some military units had been deployed without COE. Considering the uniqueness of UNAMID, no recommendation has been made.

Need to revise standard operating procedures for processing claims

47. The current SOPs for registration and processing of claims by MCMS were issued over four years ago and have not been updated since then. As a result, some of the procedures are no longer applicable. On a sample of claims reviewed, OIOS noted that verification reports were submitted by field missions electronically rather than providing hard copies as stated in the SOPs. In addition, procedures for LOA and the death and disability claims have been shortened to eliminate the requirement to seek approval from PFD as stated in the SOP.

48. As procedures evolve over time, it is important that changes are documented in SOPs to ensure that the operational guidance remain current and appropriate for the United Nations operations.

Recommendation 6

(6) DFS should ensure that the Field Budget and Finance Division update its standard operating procedures on registration and processing of claims in line with changes in the claims management process.

49. *DFS accepted recommendation 6 stating that it had started updating the SOPs for the registration and processing of claims.* Recommendation 6 remains open pending receipt of copies of updated SOPs for registration and processing of claims.

Long outstanding claims from closed missions

50. Claims received from TCCs are registered in the Government Claims Management System (GCMS) for review after which they are certified for payment. According to the UNFRR (rule 104.16, regulation 5.5), appropriations required in respect of obligations to governments for troops, formed police units, logistical support and other goods supplied and services rendered to peacekeeping operations are retained beyond the twelve-month period and the obligations remain valid for an additional period of four years after which any unliquidated obligations are cancelled and the remaining balance of any appropriations retained surrendered.

51. A review of the claims in GCMS found that, as of 31 March 2009, 46 LOA claims valued at \$26 million and 64 COE claims totaling \$53 million, relating to closed missions, were outstanding for periods between six and fifteen years. While these obligations exceed the five year limit, they have been retained in the financial statements of the related missions pending collection of outstanding assessments from Member States.

52. The Board of Auditors in the last two years has recommended for the intervention of Member States to settle obligations in completed missions. OIOS, therefore, does not issue a recommendation.

Inadequate guidance for liquidation of SPMs

53. There is no guidance for disposal of non-expendable property in liquidating SPMs. The current Liquidation Manual dates back to 2003 and addresses liquidation activities for peacekeeping operations. Since 2005, five SPMs have been closed, and two others namely the United Nations International Independent Investigation Commission (UNIIC) and the United Nations Mission in Nepal (UNMIN) are in various stages of liquidation.

54. Paragraph 3.2 of the Liquidation Manual provides guidelines for categorization of assets in peacekeeping operations consistent with regulation 5.14 of the UNFRR. Accordingly, the transfer of assets to other peacekeeping operations is categorized as "Group I", while transfers of equipment not required in existing peacekeeping operations to other United Nations' activities funded from assessed contributions is categorized as "Group II". Since the SPMs are

funded from the regular budget, it is not clear how assets would be classified within the groups due to differences in funding sources.

55. OIOS notes that the development of guidelines on asset disposal in SPMs is dependent on the revision of the relevant UNFRR. DFS has raised the issue with DM including a proposal for categorization of SPMs assets based on the source of funding. In OIOS' opinion, the absence of specific guidance on asset disposal may result in inconsistent practice in liquidating SPMs.

Recommendation 7

(7) DM should develop and issue guidelines for asset disposal in special political missions.

56. *DM accepted recommendation 7 and stated that the Department is responsible for the guidelines on asset disposal in SPMs.* Recommendation 7 remains open pending receipt of a copy of the guidelines on asset disposal in SPMs.

Recommendation 8

(8) DFS should update the Liquidation Manual to provide guidance for asset disposal in special political missions.

57. *DFS accepted recommendation 8 stating that it will update the Liquidation Manual upon issuance of required guidance by DM.* Recommendation 8 remains open pending receipt of a copy of the revised Liquidation Manual with guidance on asset disposal in SPMs.

D. Information technology tools for financial management

58. There was inadequate collaboration between DFS and DM in the development and use of financial management tools to support field missions. Currently, the existing information technology (IT) system, the FMT, and the ongoing development of the Enterprise Budget Application (EBA) implemented by PFD are tailored for use in PKMs. While there are similarities in the operational requirements for SPMs and PKMs, different funding sources and budgetary cycles have led to the development of independent tools for supporting PKMs only.

Use of Enterprise Budget Application in PKMs only

59. EBA is the budget preparation tool developed by PFD to replace the Excel worksheets used in the budget preparation process. The project is funded from the support account budget with a total contract value of \$1.2 million. About \$1 million has been spent in the development of EBA which is expected to be implemented in 2010. OIOS further noted that EBA will be used separately from the ERP system and will be specifically applied in the preparation of peacekeeping budgets. Although its implementation will improve the budget

preparation process and increase efficiency, its full value may not be realized unless its use is expanded to SPMs.

Lack of a IT monitoring tool for SPMs

60. The FMT is a repository of data that consolidates data from UN Headquarters and field IT systems such as Integrated Management Information System, Mercury, SunSystem and PFD's spreadsheets. FMT enables users to view almost real-time expenditures information, making it easier to monitor budget implementation, create financial performance reports and make redeployment decisions. Currently, the FMT is used in PKMs only and no comparable tool has been implemented to monitor SPMs resources. According to FBFD, the implementation of FMT in SPMs comes too late considering the additional resources required in customizing its use and the ongoing implementation of the ERP project.

61. OIOS is of the view that increased collaboration between DM and DFS in developing financial support tools for field missions will increase their value to the United Nations and result in cost savings. In this regard, DM commented that given the ongoing development of ERP and the need to align EBA with the requirements of the 2010/2011 budget instructions, PPBD is not presently in a position to accept the future use of EBA for SPMs. OIOS was also informed that the implementation of EBA as a separate system from ERP is currently under review by DM, DFS and the ERP working group, and, therefore, no recommendation has been made at this time.

V. ACKNOWLEDGEMENT

62. We wish to express our appreciation to the Management and staff of DFS and DM for the assistance and cooperation extended to the auditors during this assignment.

STATUS OF AUDIT RECOMMENDATIONS
Assignment No. AP2008/615/04 – Audit of financial management function to support peacekeeping and special political missions

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
1	DFS should develop criteria for future ABACUS visits which include such factors as budget size, the timing of last visit, staffing levels, field personnel experience and changes in mandate to ensure that capacity building is accomplished and resources for travel are economically used.	Operational	Medium	O	Confirmation that the criteria for future ABACUS visits have been developed.	June 2010
2	DFS should update its standard operating procedures on the peacekeeping budget preparation process to reflect current practice and include therein budget preparation guidelines for special political missions.	Operational	Medium	O	Receipt of a copy of the updated SOPs on the budget preparation process.	June 2010
3	DFS should develop measurable indicators of achievement with respect to the budget process for the support account to comply with the results-based budgeting guidelines and improve the presentation of its accomplishments to stakeholders.	Compliance	Medium	C	Action taken.	Implemented
4	DFS, in coordination with DM, should clearly define its role in monitoring the use of field missions' budget resources to mitigate the risk of duplication or gaps in internal controls.	Governance	High	O	Issuance of the Secretary-General's Bulletin defining the roles and responsibilities of the various divisions in DFS.	Not provided
5	DM, in coordination with DFS, should ensure uniformity in the management of allotments and expenditures in field missions to improve governance, efficiency and accountability in the budget process.	Governance	High	O	Implementation of uniform approach in managing allotments and expenditures and implementing budgets in field missions.	Not provided
6	DFS should ensure that the Field Budget and Finance Division update its standard operating procedures on registration and	Operational	Medium	O	Receipt of copies of updated SOPs for registration and processing of claims.	June 2010

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
	processing of claims in line with changes in the claims management process.					
7	DM should develop and issue guidelines for asset disposal in special political missions.	Operational	Medium	O	Issuance of guidelines for asset disposal in SPMs.	Not provided
8	DFS should update the Liquidation Manual to provide guidance for asset disposal in special political missions.	Operational	Medium	O	Receipt of a copy of revised Liquidation Manual with guidance on asset disposal in SPMs.	Not provided

1. C = closed, O = open
2. Date provided by DFS/DM in response to recommendations.