Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

AUDIT REPORT

Budget process in UNMIT

There are opportunities to develop indicators of achievement and outputs that are measurable and attainable

21 October 2008
Assignment No. AP2008/682/02

United Nations · Nations Unies

TO · À   Mr. Atul Khare   DATE   21 October 2008
Special Representative of the Secretary-General
United Nations Integrated Mission in Timor-Leste

REFERENCE   IAD: 08-*01872*

FROM · DE   Dagfinn Knutsen, Director
Internal Audit Division, OIOS

SUBJECT · OBJET   **Assignment No. AP2008/682/02 – Audit of the budget process in UNMIT**

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 1 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.   Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as high risk (i.e., recommendations 2), in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. Hubert Price, Chief of Mission Support, UNMIT
      Mr. Kobi Jackson, Budget Officer, UNMIT
      Ms. Radhika Padayachi, Officer-in-Charge, Planning and Best Practices Unit, UNMIT
      Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
      Ms. Maria Gomez Troncoso, Officer-in-Charge, Joint Inspection Unit Secretariat
      Mr. Seth Adza, Operations Review Officer, Department of Field Support
      Ms. Christina Post, Oversight Support Unit, Department of Management
      Mr. Byung-Kun Min, Programme Officer, 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).

CONTACT INFORMATION

DIRECTOR:
Dagfinn Knutsen, Tel: +1.212.963.5650, Fax: +1.212.963.2185, e-mail: knutsen2@un.org

DEPUTY DIRECTOR:
Fatoumata Ndiaye, Tel: +1.212.963.5648, Fax: +1.212.963.3388, e-mail: ndiaye@un.org

CHIEF, PEACEKEEPING AUDIT SERVICE:
Eleanor T. Burns, Tel: +1.212.963.2792, Fax: +1.212.963.3388, e-mail: burns@un.org

EXECUTIVE SUMMARY
Audit of the budget process in UNMIT

OIOS conducted an audit of the budget process in the United Nations Integrated Mission in Timor-Leste. The overall objective of the audit was to assess whether the Mission's budgets were prepared in accordance with related guidelines and to assess the adequacy of monitoring mechanisms that are in place throughout the budget process. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

Overall, the Mission's budgets are being prepared in accordance with the Controller's and the Office of Programme Planning, Budget and Accounts' budget instructions and guidelines. However, there were opportunities for improvement including the need to:

- Develop indicators of achievements and outputs that are measurable and attainable;

- Ensure adequate and complete documentation is available to support the achievement of indicators, and this data is properly filled and easily retrieved; and

- Reduce the risk of error and/or manipulation by protecting formulas on budgeting Excel templates.

TABLE OF CONTENTS

I. INTRODUCTION

1.   The Office of Internal Oversight Services (OIOS) conducted an audit of the budget process in the United Nations Integrated Mission in Timor-Leste (UNMIT). The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2.   For the fiscal year 2006/2007, pending the submission of a full budget proposal, the General Assembly, by Resolution 61/249A, initially appropriated $170 million for the establishment and maintenance of UNMIT for the period from 25 August 2006 to 31 March 2007. On receipt of the full budget proposal, Resolution 61/249B appropriated the amount of $185 million for the period from 25 August 2006 to 30 June 2007.

3.   At the end of the 2006/2007 budget year UNMIT had an unencumbered balance of $38 million, as showed below:

Apportionment and expenditures for fiscal year 2006-2007

Category	Apportionment	Expenditure	Unencumbered Balance
Military and police personnel	$35,320,900	$38,909,800	($3,588,900)
Civilian personnel	37,285,800	30,980,800	6,305,000
Operational costs	112,213,200	76,958,200	35,255,000
Total	**$184,819,900**	**$146,848,800**	**$37,971,100**

4.   In accordance with the Results-Based Budgeting (RBB) methodology, peacekeeping missions, in preparing their annual budgets are required to utilize a logical framework that links the Mission's objectives to resource requirements, expected accomplishments and outputs. Each Mission's logical framework should be included in the budget proposal that is submitted to the Field Budget and Finance Division (FBFD) within the Department of Field Support (DFS) for review before submission to the UN legislative bodies. The approved budget and logical framework then forms the baseline for the Mission's performance report which measures whether planned indicators of achievement and outputs were attained.

5.   The RBB in UNMIT is comprised of the following components: political process; security sector and rule of law; governance, development and humanitarian coordination; and support. The Planning and Best Practices Unit (PBPU) is responsible for coordinating and compiling information for the substantive components whereas the Budget Office is responsible for the support component. The overall consolidation is performed by the Budget Office. A budget steering committee is also in place to ensure that budgets are prepared in accordance with the RBB framework. The indicators of achievements and outputs in the Mission's RBB framework constitute the basis for performance reporting.

6.   Comments made by UNMIT are shown in *italics*.

II. AUDIT OBJECTIVES

7.   The main objectives of the audit were to:

(a)   Determine whether the Mission's budgets were prepared in accordance with RBB guidelines issued by the Office of Programme Planning, Budget and Accounts (OPPBA);

(b)   Assess the validity, accuracy and completeness of the portfolio of evidence compiled by the Mission to support its RBB performance reports; and

(c)   Determine whether effective, efficient and adequate systems and monitoring mechanisms were in place throughout the budget process.

III. AUDIT SCOPE AND METHODOLOGY

8.   The audit reviewed the RBB framework used by the mission to prepare the 2006/07 budget and performance report. The audit methodology comprised interviews with selected RBB focal points, UNMIT PBPU and Budget Office staff. OIOS analyzed data and reviewed sample portfolio of evidence documents.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Indicators of achievements and outputs

Measurability of indicators of achievements

9.   In accordance with the OPPBA's RBB Guidelines, indicators of achievements should provide quantitative data on progress toward expected accomplishments and should not allow subjective interpretation.

10.   The indicators of achievements stated in the 2006/07 performance report were not always quantifiable, making it difficult to measure performance. For example, in component 3: governance, development and humanitarian coordination, the performance report listed the following as one of the planned and actual indicators of achievement:

- Planned indicator: All most vulnerable members of the population have access to humanitarian assistance.

- Actual indicator: No disease outbreaks or widespread malnutrition in internally displaced persons.

11.   The above planned indicator of achievement is neither specific nor quantifiable. In addition, the actual indicator of achievement is vague and does not fully address the planned indicator of achievement. For the future, performance indicators need to be more specific, measurable and time-bound.

Recommendation 1

(1)   The UNMIT Office of Mission Support, in order to measure the level of performance, should develop indicators of achievements that are specific, measurable and time-bound.

12.   *The UNMIT Office of Mission Support accepted recommendation 1 and stated that this was already implemented for the RBB framework for 2009/10 and UNMIT will continue to do so for the future RBB framework. In addition, UNMIT held a mission-wide RBB Workshop on 30 June 2008 which emphasized the importance of the indicators of achievement being specific, measurable, attainable, realistic and time bound.* Based on the action taken by UNMIT, recommendation 1 has been closed.

Outputs not completed

13.   The 2006/07 performance report included 140 planned outputs of which 33 were not achieved during the fiscal year. OIOS analyzed the reasons for this, and found that several of the outputs had not been completed as a result of inadequate staffing resources. For example:

- Under the governance, development and humanitarian coordination component, the output to advise the government on media legislation was not done as the Media Advisor only arrived in UNMIT in June 2007;

- For the support component, the implementation of environmental protection programmes and sewage evacuation systems for all Mission locations was not accomplished as a suitable candidate had not been identified and recruited; and

- For the support component, the operation and maintenance of voluntary, confidential HIV counseling for personnel was not accomplished as a candidate had not been identified and recruited

14.   In addition, several other outputs were not completed due to external factors beyond UNMIT's control. Since this issue has been addressed in the Board of Auditors' 2006/07 audit report, no recommendation has been made in relation to these outputs.

B. Portfolio of evidence

15.   A sample of 29 completed outputs and 10 indicators of achievements were traced to the supporting documentation. In a number of cases, the portfolio of evidence could be improved, as follows:

(i) Insufficient portfolio of evidence

- Under the security sector and rule of law component, the portfolio of evidence for the planned output "3,720 military liaison patrol days to monitor the security situation on the border" was the "DPKO Directive to Chief Military Liaison and Military Liaison Group". The directive is insufficient evidence to support how and if the planned output of 3,720 military liaison days was achieved.

- For the planned indicator of achievement 2.4.1, "compliance by the Government with its international human rights treaty reporting obligations in respect of the Convention on the Rights of the Child and the Convention on the Elimination of all Forms of Discrimination against Women", "Human Rights and Transitional Justice Section (HRTJS) – monthly reports" was listed as the supporting documentation. This does not provide sufficient evidence of compliance by the Government. Instead copies of reports submitted by the Government to comply with its reporting obligations or evidence that the reports had been submitted would have been more relevant.

- For the planned indicator of achievement 2.4.4, "50 cases investigated by the Office of the Provedor for Human Rights and Justice", "HRTJS monthly reports" was listed as the supporting documentation. Again, these were not adequate to support the investigation of cases by the Office of the Provedor. Instead a copy of the Provedor's annual report or other document providing details of cases investigated during the year would have been more relevant

16.   Several instances were noted where the supporting documents stated in the portfolio of evidence were not available for review, and in other instances they were not maintained by the stated responsible officer.

(ii) Inaccurate supporting documentation

17.   From the sample selected, OIOS re-computed the quantitative results reported in the portfolio of evidence and noted several discrepancies in the reported figures and/or percentages. For instance;

- Some 1,157 officers of the Timorese National Police (PNTL) were reported to have been screened and vetted under the security sector and rule of law component. However, the supporting documentation only reflected 918 PNTL officers. The Office of the Police Commissioner could not provide any explanation on the difference.

- The Conduct and Discipline Unit reported that 1,298 international staff and UN Police officers attended the conduct and discipline awareness training. The evidence supporting this, listed attendance of 410 staff during April to June 2007. On follow-up with the Conduct and Discipline Unit, OIOS found that the Training Unit only started facilitating the conduct and discipline awareness training in April 2007, thus supporting documents prior to this period were not available. Hence, OIOS could not verify the number of attendees.

- Planned indicator 2.1.1 listed a decrease in the number of security incidents from an average of 20 to 30 incidents during September and October 2006 respectively to an average of 9 to 7 incidents during these months. OIOS obtained the monthly statistics report and noted that the averages reported in 2007 were correct. However, the decrease in the number of incidents could not be confirmed, as there was no data available for September and October 2006.

(iii) Lack of a monitoring mechanism

18.   No monitoring mechanism had been established to verify the existence and accuracy of the portfolio of evidence submitted by programme managers and assigned focal points. In some cases, the evidence was completed by focal points without any subsequent verification.

19.   The lack of an effective review and monitoring of the portfolio of evidence has led to reporting of inaccurate and unsupported data in the performance report.

Recommendation 2

(2)   The UNMIT Office of Mission Support and the Planning and Best Practices Unit should ensure that programme managers and focal points maintain adequate documentation to support the achievement of indicators and outputs reported and to ensure all data presented is complete and accurate.

20.   *The UNMIT Office of Mission Support and the Planning and Best Practices Unit accepted recommendation 2 and stated that UNMIT plans to monitor the adequacy, accuracy and completeness of all documentation through quarterly review with the Program Managers.* Recommendation 2 remains open pending confirmation that quarterly reviews are conducted to monitor the accuracy and completeness of information.

Portfolio of evidence database

21.   There was no central database or depository to maintain data supporting the 2006/07 performance report. The portfolio of evidence was only compiled at the end of the reporting period. For the 2007/08 financial period, the collection of

data by the RBB focal points was done on a quarterly basis. This is a better practice to ensure data is collected on an on-going basis. Despite these improvements, there is still a lack of an effective filing system to store supporting documents. The Mission informed OIOS that it is currently seeking guidance on how to implement a suitable automated system or database for data collection.

Recommendation 3

(3) The UNMIT Office of Mission Support, in the absence of a portfolio of evidence database, should ensure that all Results-Based Budgeting focal points establish an effective filing system to enable documents to be easily retrieved.

22. *The UNMIT Office of Mission Support accepted recommendation 3 and stated that UNMIT will set-up a shared protected drive where various programme managers can easily place the supporting documents, thereby establishing a portfolio of evidence database. The drive will be monitored for accuracy and completeness by Planning and Best Practice Section for Substantive Sections and by Budget Section for the Support Component.* Recommendation 3 remains open pending the establishment of the shared protected drive to store RBB supporting documentation.

C. Training and guidelines for RBB focal points

23. OIOS interviewed some of the RBB focal points to gain an understanding of their involvement in the RBB process and on the availability of relevant training and guidelines. OIOS found that no training on the RBB process had been provided to focal points prior to assuming the responsibility. Moreover, as the focal points were often disengaged from the entire budgeting process, they could not appreciate the added-value of the exercise. This has now been rectified, and training is being organized.

D. Budgeting spreadsheets

24. The Mission uses several Excel spreadsheets for the preparation of budgets. Templates issued by the Controller's Office are used to create separate individual templates that are sent to Section Chiefs to prepare their cost estimates and staffing requirements. The individual Excel templates are compiled by the Budget Office into the original template for the submission of the Mission's budget.

25. The Excel templates sent to Section Chiefs contained cells with unprotected formulas, making them susceptible to manipulation and unauthorized changes and/or errors going undetected. Moreover, the process of using several spreadsheets for the preparation of budgets is inefficient. OIOS understands that the Enterprise Resource Planning (ERP) project will include improvements and/or the automation of the budget process. In the meantime, to protect the integrity of the budget formulas in the Excel spreadsheets, controls such as the

protection of cells containing formulas and/or a thorough review of calculations should be performed.

Recommendation 4

(4)   The UNMIT Office of Mission Support should ensure that cells containing formulas on budgeting templates that are provided to the various Section Chiefs are protected

26.   *The UNMIT Office of Mission Support accepted recommendation 4 and stated that this was already implemented for the 2008/09 budget cycle.* Recommendation 4 remains open pending OIOS' review of the formulas in the 2008/09 budget Excel spreadsheets.

V. ACKNOWLEDGEMENT

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

STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	Recommendation	Risk category	Risk rating	C/ O[1]	Actions needed to close recommendation	Implementation date[2]
1	The UNMIT Office of Mission Support, in order to measure the level of performance, should develop indicators of achievements that are specific, measurable and time-bound.	Operational	Medium	C	Action complete	Implemented
2	The UNMIT Office of Mission Support and the Planning and Best Practices Unit should ensure that programme managers and focal points maintain adequate documentation to support the achievement of indicators and outputs and to ensure all data presented is complete and accurate.	Operational	High	O	Confirmation by UNMIT that quarterly reviews are conducted to monitor the accuracy and completeness of information	30 November 2008
3	The UNMIT Office of Mission Support, in the absence of a portfolio of evidence database, should ensure all Results-Based Budgeting focal points establish an effective filing system to enable documents to be easily retrieved.	Operational	Medium	O	Confirmation by the Mission of the establishment of the shared protected computer network drive to store RBB supporting documentation	30 November 2008
4	The UNMIT Office of Mission Support should ensure that cells containing formulas on budgeting templates that are provided to the various Section Chiefs are protected	Information Systems	Medium	O	OIOS' review of the formulas in the 2008/09 budget Excel Spreadsheets	14 September 2007

[1] C = closed, O = open
[2] Date provided by UNMIT in response to recommendations