



INTERNAL AUDIT DIVISION

AUDIT REPORT

Staff recreation committee funds in UNMIK

Inadequate internal controls over staff recreation committee operations

7 April 2010

Assignment No. AP2009/650/07

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

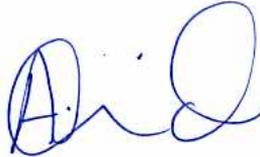
TO: Mr. Lamberto Zannier
A: Special Representative of the Secretary General
UNMIK

DATE: 7 April 2010

REFERENCE: IAD: 10-650/04

for

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



SUBJECT: **Assignment No. AP2009/650/07 – Audit of staff recreation committee funds in UNMIK**
OBJET:

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 have closed all the recommendations in the OIOS recommendations database as indicated in Annex 1.

cc: Mr. Robert Earl Sorenson, Chief of Staff, UNMIK
Mr. Bernard Lee, Chief Mission Support, UNMIK
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).

CONTACT INFORMATION

DIRECTOR:

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

ACTING DEPUTY DIRECTOR:

Gurpur Kumar: Tel: +1.212.963.5920, Fax: +1.212.963.3388,
e-mail: kumarg@un.org

CHIEF, PEACEKEEPING AUDIT SERVICE:

Eleanor T. Burns: Tel: +.917.367.2792, Fax: +1.212.963.3388,
e-mail: burnse@un.org

EXECUTIVE SUMMARY

Audit of staff recreation committee funds in UNMIK

OIOS conducted an audit of staff recreation committee funds in the United Nations Interim Administration Mission in Kosovo (UNMIK). The overall objective of the audit was to assess the adequacy and effectiveness of internal controls over staff recreation operations. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

Internal controls over staff recreation committee funds in UNMIK were inadequate and ineffective as follows:

- Contrary to instructions from the Department of Peacekeeping Operations (DPKO), the Staff Recreation Committee (SRC) did not include representatives from the police and military components, the field staff committee, the staff counselor and the conduct and discipline team. There was thus a risk of activities not adequately addressing the needs of all Mission personnel.
- There was no mechanism for monitoring the Mission's oversight of the welfare and recreation programme. As a result, there were weak internal controls which created the opportunity for irregularities, loss of financial resources, ineffective and inadequate staff welfare activities.
- Internal controls over cash collections were inadequate as the duties over cash collection, its custody and payments were not segregated. Collected cash in some cases was not deposited in the bank. Petty cash limits were not established resulting in large cash amounts held in hand.
- The SRC did not prepare the required annual reports and financial statements reflecting funds collected and activities undertaken over the period to ensure transparency and compliance with the SRC terms of reference.

OIOS made recommendations to address the weaknesses identified in the report and to strengthen internal controls over the activities of the SRC.

TABLE OF CONTENTS

Chapter	Paragraphs
I. INTRODUCTION	1 - 5
II. AUDIT OBJECTIVES	6
III. AUDIT SCOPE AND METHODOLOGY	7
IV. AUDIT FINDINGS AND RECOMMENDATIONS	
A. Compliance with policies and standard operating procedures	8 - 14
B. Oversight of welfare and recreation activities	15 - 18
C. Assessment of internal controls	19 - 30
V. ACKNOWLEDGEMENT	31
ANNEX 1 – Status of Audit Recommendations	

I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of staff recreation committee funds in UNMIK. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
2. The Staff Recreation Committee (SRC) in UNMIK was established to promote, encourage and provide recreational activities to staff members. The principal governing body of the SRC is the Executive Committee which is composed of seven members representing the Mission international staff, United Nations Volunteers (UNVs), Military Liaison Officers and Civilian Police. The SRC Executive Committee established regional committees in Peja, Prizren, Gjilan and Mitrovica to ensure that staff working in the regions had recreational facilities with a minimum of a gymnasium (gym) and a cafeteria/lounge.
3. The activities of the SRC are governed by the Department of Peacekeeping Operations (DPKO) policy directive and standard operating procedures (SOPs) on welfare and recreation.
4. The revenues for the operations of the SRC activities are generally derived from: (a) UN tax free shop/Post Exchange (PX) percentage proceeds; (b) activities participation fees; and (c) proceeds of fundraising activities.
5. Comments made by UNMIK Management are shown in *italics*.

II. AUDIT OBJECTIVES

6. The main objectives of the audit was to assess the adequacy and effectiveness of internal controls over the SRC's operations:

III. AUDIT SCOPE AND METHODOLOGY

7. The audit assignment covered the operations of the SRC for the fiscal years 2007-2008 and 2008-2009. The audit included interviews with key personnel and reviews of relevant documents.
-

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Compliance with Policies and Standard Operating Procedures

Composition of SRC

8. The DPKO SOPs provide that the Staff Recreation Executive Committee should be comprised of representatives of civilian, police and military components of the Mission (as applicable), the field staff committee, the staff counselor (where such a position exists), the conduct and discipline team and any other mission entity or personnel approved by the Head of Mission (HOM) or Special Representative of the Secretary-General (SRSG). Due care should be taken to ensure equal representation of women and men in the committee, to the extent possible.

9. The SRC Executive Committee did not include representatives from the police and military components, the staff counselor, the field staff committee and conduct and discipline team resulting in a risk that the planned activities did not meet the interest and needs of many Mission personnel. The Mission explained that the composition of the Committee was agreed when it was established in 2001 and that it had not been updated to comply with DPKO's policy, which was issued in 2007.

Recommendation 1

- (1) **The UNMIK Office of Mission Support should ensure that the composition of the Staff Recreation Committee is in compliance with DPKO standard operating procedures.**

10. *UNMIK Management accepted recommendation 1 and stated that the membership of the SRC will be revised in compliance with DPKO's policy.* Based on the UNMIK Management response, recommendation 1 has been closed.

Management supervision and guidance

11. The DPKO policy directive on welfare and recreation provides that the Mission's Director of Mission Support, on behalf of the Head of Mission (HOM), is responsible for monitoring the Mission's implementation of the policy directive and SOPs, providing management oversight of the entire welfare and recreation programme and making appropriate recommendations to the HOM. During the period from July 2007 to June 2009, there was no evidence that the Office of Mission Support supervised or monitored the SRC's activities.

12. Moreover, the HOM is required to submit bi-annual reports of activities carried out by the Mission to the Under-Secretary-General of DPKO. This

requirement was not complied with during the period under review. The Mission informed OIOS that steps are now being taken to ensure compliance with DPKO's policy directive.

13. Additionally, the SRC Executive Committee is required to prepare annual work plans, quarterly and financial reports for its activities. The SOPs also require the HOM to approve the welfare and recreation plans yearly, and submit a copy to DPKO, HQ.

Recommendation 2

(2) The UNMIK Office of Mission Support should ensure that mechanisms are in place for monitoring and overseeing the activities of the Staff Recreation Committee in compliance with the relevant policy.

14. *UNMIK Management accepted recommendation 2 and stated that it would issue and implement revised directives and procedures to ensure appropriate oversight of the activities of the SRC.* Based on the UNMIK Management response, recommendation 2 has been closed.

B. Oversight of welfare and recreation activities

15. The DPKO SOP requires the Chief of Mission Support to ensure proper financial auditing and other oversight of the entire welfare and recreation programme in accordance with UN rules. Additionally, the terms of reference of the SRC requires the Executive Committee to hold regular meetings as and when necessary, but at a minimum, at least once every quarter.

16. During the period, from July 2007 to June 2009, there was minimal evidence that the Office of Mission Support supervised or monitored the SRC activities. The Executive Committee had only three formal meetings where minutes were prepared. The Committee preferred communicating and deliberating through electronic mails (e-mail) and telephone. OIOS noted that there were no general meetings involving all regional and subcommittees during the period under review.

17. Further, OIOS was informed that an audit covering the period from 1 July 2005 to 30 June 2007 was conducted by a team appointed by the former Chief of Mission Support. However, as per the Executive Committee, the audit team did not issue any report or discuss any findings after completing the audit assignment. OIOS also observed that the SRC Executive Committee did not exercise management oversight on some of the sub-committees, which operated independently without accountability for their activities and funds collected. For instance, the Lounge/Bar, Sports and Movies Subcommittees did not report to the Executive Committee.

Recommendation 3

(3) The UNMIK Office of Mission Support should ensure that the Staff Recreation Executive Committee holds periodic meetings including regional and subcommittees for effective implementation and monitoring of the staff welfare and recreation activities in compliance with the terms of reference.

18. *UNMIK Management accepted recommendation 3 and stated that it would ensure compliance.* Based on the UNMIK Management response, recommendation 3 has been closed.

C. Assessment of Internal controls

Cash collections and maintenance of bank accounts

19. There were indications that cash collected for the period from July 2007 to June 2009 by the Pristina Lounge/Bar was not deposited in the SRC bank account. The Pristina Lounge/Bar catered for an average of 1,794 staff while the Prizren Lounge catered for an average of 111 staff between July 2007 and June 2009. The Pristina Lounge/Bar however deposited 200 Euros while the Prizren Lounge collected and deposited 11,288 Euros over the same period. There were also significant delays in depositing cash collected from the Pristina Movie Shows sub-committee. A total of 2,514 Euros was deposited on 2 August 2007, but there were no supporting documents to indicate the period in which the cash was collected.

20. Moreover, there was a lack of segregation of duties, as one staff member was responsible for organizing trips and tours, as well as collecting cash and recording it. Further, staff members paying for gym membership were not issued receipts and therefore the amounts collected were not properly monitored. Additionally, cash was not deposited timely, and as a result the sub-committees and regional treasurers of the SRC kept substantial amounts of cash in their offices. There were no petty cash limits and cash collections were comingled with petty cash. During the period from July 2007 to June 2008, the Sports Sub-committee collected cash totaling 48,246 Euros, paid out expenses amounting to 41,121 Euros and had a cash balance of 8,159 Euros as at 30 June 2008.

21. Delays in depositing cash collections may result in fraud and other financial losses resulting from burglary and theft.

Recommendations 4 to 5

(4) The UNMIK Office of Mission Support should ensure that the Staff Recreation Executive Committee establishes petty cash levels for the regional committee and each sub-committee to minimize the risk of theft or loss of cash.

(5) The UNMIK Office of Mission Support should ensure that the Staff Recreation Executive Committee monitors the banking of all cash collections and petty cash levels.

22. *UNMIK Management accepted recommendation 4 and stated that it had appointed a qualified treasurer to ensure compliance with UN accounting rules and regulations.* Based on the UNMIK Management response, recommendation 4 has been closed.

23. *UNMIK Management accepted recommendation 5 and stated that it had appointed a qualified treasurer to ensure compliance with UN accounting rules and regulations.* Based on the UNMIK Management response, recommendation 5 has been closed.

Assets register

24. The SRC used both United Nations owned equipment (UNOE) and equipment purchased from SRC funds for its activities. The UNOE was recorded and accounted for using the Galileo asset management system. The SRC Executive Committee however, did not maintain an assets register for SRC owned equipment. It is a standard internal control practice to maintain an assets register that shows the assets, their location, additions and disposals of assets. The SRC purchased equipment for the gym, movie shows and for the lounge. Prior to June 2009, the SRC had six gyms, weekly movie shows in Pristina and five staff lounges. Following the reconfiguration of the Mission in June 2009, the staff recreation facilities in UNMIK reduced to two well-equipped gyms in Pristina and Mitrovica and a lounge/trips office.

25. In the absence of an assets register, it was difficult to establish whether all assets were appropriately accounted for.

Recommendation 6

(6) The UNMIK Office of Mission Support should ensure that the Staff Recreation Executive Committee maintains an assets register for its assets and carries out periodic physical verification to confirm existence and condition of assets.

26. *UNMIK Management accepted recommendation 6 and stated that the Property Control and Inventory Unit had verified all assets, both expendable and non-expendable, in coordination with the Staff Recreation Committee President. An assets register was also prepared and periodic physical verification will be conducted.* Based on the action taken by UNMIK, recommendation 6 has been closed.

Annual reports and financial statements

27. The SRC terms of reference requires the executive treasurer and regional and subcommittee treasurers to prepare financial statements. In addition, the terms of reference requires that the SRC prepares and distributes to all UNMIK staff members, an annual report on activities conducted, status of books of accounts and other issues that may be of relevance and concern to all staff members.

28. There was no evidence to show that the Executive Committee prepared and issued the required annual reports of its activities and the executive treasurer did not prepare the required complete monthly income and expenditure statements. OIOS reviewed the income and expenditure statements prepared by the executive treasurer and found that they did not include income from all subcommittees. The monthly statements captured transactions from the main SRC bank account only.

29. Failure to produce annual reports and financial statements as required by the TORs resulted in the lack of transparency in the management of SRC welfare and recreation activities.

Recommendation 7

(7) The UNMIK Office of Mission Support should ensure that the Staff Recreation Executive Committee prepares annual reports, and complete and consolidated financial statements in compliance with Staff Recreation Committee terms of reference.

30. *UNMIK Management accepted recommendation 7 and stated that annual reporting including financial statements would be addressed through administrative directives to be issued by the Chief of Mission Support.* Based on the UNMIK Management response, recommendation 7 has been closed.

V. ACKNOWLEDGEMENT

31. We wish to express our appreciation to the Management and staff of UNMIK 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 UNMIK Office of Mission Support should ensure that the composition of the Staff Recreation Committee is in compliance with DPKO standard operating procedures.	Compliance	Moderate	C	Closed	31/12/2009
2	The UNMIK Office of Mission Support should ensure that mechanisms are in place for monitoring and overseeing the activities of the Staff Recreation Committee in compliance with the relevant policy.	Operational	Moderate	C	Closed	31/12/2009
3	The UNMIK Office of Mission Support should ensure that the Staff Recreation Executive Committee holds periodic meetings including regional and subcommittees for effective implementation and monitoring of the staff welfare and recreation activities in compliance with the terms of reference.	Operational	Moderate	C	Closed	31/12/2009
4	The UNMIK Office of Mission Support should ensure that the Staff Recreation Executive Committee establishes petty cash levels for the regional committee and each sub-committee to minimize the risk of theft or loss of cash.	Financial	Moderate	C	Closed	31/12/2009
5	The UNMIK Office of Mission Support should ensure that the Staff Recreation Executive Committee monitors the banking of all cash collections and petty cash levels.	Financial	Moderate	C	Closed	31/12/2009
6	The UNMIK Office of Mission Support should ensure that the Staff Recreation Executive Committee maintains an assets register for its assets and carries out	Operational	Moderate	C	Implemented	31/12/2009

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
7	<p>periodic physical verification to confirm existence and condition of assets.</p> <p>The UNMIK Office of Mission Support should ensure that the Staff Recreation Executive Committee prepares annual reports, and complete and consolidated financial statements in compliance with Staff Recreation Committee terms of reference.</p>	Compliance	Moderate	C	Closed	31/12/2009

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