



INTERNAL AUDIT DIVISION

AUDIT REPORT

Planning and budget formulation procedures and processes of the support account in DPKO and DFS

While the control framework for the support account budget formulation procedures and processes was generally adequate and effective, there are opportunities to streamline the process

3 June 2011
Assignment No. AP2010/615/05

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. Alain Le Roy, Under-Secretary-General
A: for Peacekeeping Operations

DATE: 3 June 2011

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

REFERENCE: IAD: 11-00429

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



SUBJECT: **Assignment No. AP2010/615/05 – Audit of the planning and budget formulation
OBJET: procedures and processes of the support account in DPKO and DFS**

1. I am pleased to present the report on the above-mentioned audit.
2. In order for us to close the recommendation, 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 the recommendation, in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Ms. Angela Kane, Under-Secretary-General, DM
Mr. Anthony Banbury, Assistant Secretary-General, DFS
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Mr. Milan Trojanovic, Executive Officer, DPKO and DFS
Ms. Catherine Vendat, Director, Peacekeeping Financing Division, DM
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
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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

Audit of the planning and budget formulation procedures and processes of the support account in DPKO and DFS

The Office of Internal Oversight Services (OIOS) conducted an audit of the planning and budget formulation procedures and processes of the support account in the Departments of Peacekeeping Operations (DPKO) and Field Support (DFS). The overall objective of the audit was to assess the adequacy and effectiveness of the peacekeeping support account planning and budget formulation procedures and processes followed at DPKO and DFS. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

The control framework for the support account budget formulation procedures and processes, which included maintaining an appropriate level of resources and monitoring mechanisms, was generally adequate and operating effectively during the period of the review. The main audit results were as follows:

- The senior management of DPKO and DFS developed strategic priorities to guide the support account budget planning process. These strategic priorities guide the development of results-based budgeting frameworks and area work plans, as well as the prioritization of budget proposals.
- Departments and offices whose operations are funded from the support account would benefit from strategic and operational planning assumptions for peacekeeping operations/field missions in planning their budgetary requests. DPKO and DFS should provide such information at the start of each budget cycle as part of the Controller's Instructions.
- A number of posts at the D-2 level in DPKO and DFS, which appear to represent core backstopping activities of a continuous nature, were funded from the support account. This was not in accordance with the funding principle in the Secretary-General's report A/50/876, which indicated that "...financing of the core backstopping capacity...must be financed from the regular budget." DPKO and DFS, in coordination with the Department of Management, need to review the appropriateness of the current funding source for these and other level posts.
- The costs associated with the support provided for special political missions were not specifically measured or reported.

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I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the planning and budget formulation procedures and processes of the support account at the Departments of Peacekeeping Operations (DPKO) and Field Support (DFS). This is the first audit by OIOS of the process of the support account budgeting after the restructuring of DPKO in 2007. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. The support account for peacekeeping operations was established pursuant to General Assembly resolution 45/258 of 1 May 1991 “to address the provision of ‘overload posts’ required to supplement resources under the regular budget.”¹ DPKO and DFS utilize the support account to fund managerial, technical and administrative support to backstop the peacekeeping missions as well as special political missions (SPMs). As stated in the Secretary-General’s report A/50/876 on the support account for peacekeeping operations, “the backstopping of peacekeeping operations is the direction, assistance and guidance given by departments, offices, and other units at Headquarters, for ensuring the effective planning, implementation and liquidation of peacekeeping missions.”²

3. The total amount of the support account (for all departments and offices) increased by 57.8 per cent from \$230.5 million in 2007/08 to \$363.7 million in 2010/11, while the peacekeeping budget, excluding SPMs, increased by 5.9 per cent from \$6,508.6³ million to \$6,891.9⁴ million during the same period. In 2009, the Secretary-General commissioned a study on the evolution of the support account.⁵ The study found correlation between the increased complexity of peacekeeping operations mandates (including the significant increase in the deployment of peacekeeping personnel to the field) and the evolution of the support account.

4. DPKO and DFS are served by one Executive Office, which supports both departments. The Peacekeeping Financing Division (PFD) of the Department of Management (DM) is a Division within the Office of Programme Planning, Budget and Accounts, whose mandate includes “...ensuring compliance with...Programme Aspects of the Budget...”⁶. Specifically, PFD performs the function of “Preparing annual budgets and...annual reports on the support account for peacekeeping operations...”⁷. In this capacity, PFD have an important role in guiding, coordinating, reviewing and overseeing the support account budget planning and formulation in all departments and offices, including DPKO and DFS.

¹ A/59/784, paragraph 4.

² A/50/876, paragraph 2.

³ A/C.5/62/23

⁴ A/C.5/64/19

⁵ A/63/767, paragraph 54.

⁶ ST/SGB/2003/16, paragraphs 2.1(b)

⁷ ST/SGB/2003/16, paragraph 6.2(b)

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5. Comments made by DPKO and DFS are shown in *italics*.

II. AUDIT OBJECTIVES

6. The main objective of the audit was to assess the adequacy and effectiveness of internal controls over the planning and budget formulation procedures and processes of the peacekeeping support account at DPKO and DFS focusing on: (a) governance, roles and responsibilities in the support account budgeting process; and (b) compliance with the relevant policies and procedures for the preparation of the budget for the peacekeeping support account at DPKO and DFS.

III. AUDIT SCOPE AND METHODOLOGY

7. The audit covered two consecutive budget cycles, namely, 2009/10 and 2010/11. OIOS reviewed the framework for monitoring the support account budget formulation procedures and processes at DPKO and DFS for compliance with regulations, rules and policies, consistency and timeliness. OIOS interviewed key stakeholders and process experts, examined pertinent documents and tested and analyzed controls over budget formulation procedures and processes in the various divisions of DPKO and DFS. OIOS also took into account relevant information provided by the Board of Auditors in their draft report on United Nations Peacekeeping Operations⁸. While the audit scope included the review of the support account budget formulation procedures and processes only at DPKO and DFS, OIOS also reviewed the role of PFD, DM in the support account budget formulation process. Accordingly, OIOS obtained, reviewed and considered additional information and explanations from PFD, as was needed.

8. OIOS did not review the planning and budget formulation procedures and processes at all the departments that receive funding from the support account. Neither did OIOS review the role and budget-related processes at PFD, DM. The budget performance was also not reviewed or evaluated.

IV. AUDIT RESULTS

A. Strategic planning and budget formulation

Setting strategic priorities

9. In June 2009, following a Senior Management Team (SMT) decision, a DPKO/DFS Working Group was established, mandated "...to address cross-cutting management issues...in order to facilitate DPKO/DFS integration and sound management to achieve effective and efficient programme delivery in

⁸ Financial report and audited financial statement for the 12-month period from 1 July 2009 to 30 June 2010 and report of the Board of Auditors, Volume II General Assembly Official Records, 65th Session, Supplement No. 5

support of field operations.”⁹ The Working Group membership comprised members at the Director level from all DPKO and DFS areas (divisions) and chaired by the Chief of Staff, DPKO/DFS.

10. The results of the work of the DPKO/DFS Working Group were reflected in a statement of “...Strategic, Operational and Support Priorities” for the 2010/11 budget period, dated 7 October 2009, which was endorsed by the Under-Secretaries-General (USGs) for DPKO and DFS. OIOS reviewed the strategic priorities for the audited budget cycles and noted the effort of DPKO/DFS to guide the development of departmental plans and the prioritization of budget proposals.

Distributing strategic information to budget planners in other departments

11. DPKO and DFS considered that knowledge of anticipated changes to field mission mandates and developments in their areas of operation were essential to effectively plan and budget. The support account as a whole would benefit from adding an articulation of strategic and operational planning assumptions. This information can be distributed together with the Controller’s support account budget instructions and annual briefing. Improvements in aligning Headquarters activities in support of mission mandate implementation and in the functioning of peacekeeping operations and field missions can thus be achieved.

12. The current process of formulating support account budget requests does not have a mechanism to share such information formally with other departments and offices. DPKO and DFS suggested that they could provide this information for distribution by DM at the start of each support account budget cycle. OIOS supports the suggestion of DPKO and DFS to provide DM with information on missions’ operational levels and strategic perspectives for inclusion in the support account budget instructions to assist other departments in planning their support account budget requests.

Relationship of peacekeeping budget to the support account for DPKO and DFS

13. DPKO and DFS’s combined resource requirements from the support account have increased from \$141.2 million in 2007/08 to \$180.2 million in 2010/11, since they were reorganized as separate departments starting in 2007. Additional support functions to peacekeeping operations in other departments and offices are also funded from the support account. The total costs budgeted for the support account as a percentage of the budget for peacekeeping and the United Nations Logistics Base in Brindisi (UNLB) increased from 3.5 per cent in 2007/08 to 5.3 per cent in 2010/11. If the budgeted costs for the Enterprise Resource Planning (ERP) project (Umoja) are excluded, the difference ranges from 3.5 per cent in 2007/08 to 4.5 per cent in 2010/11.

14. The deviation in the trend of the support account budget and the total budget of peacekeeping missions and UNLB in 2010/11 as shown in Table 1,

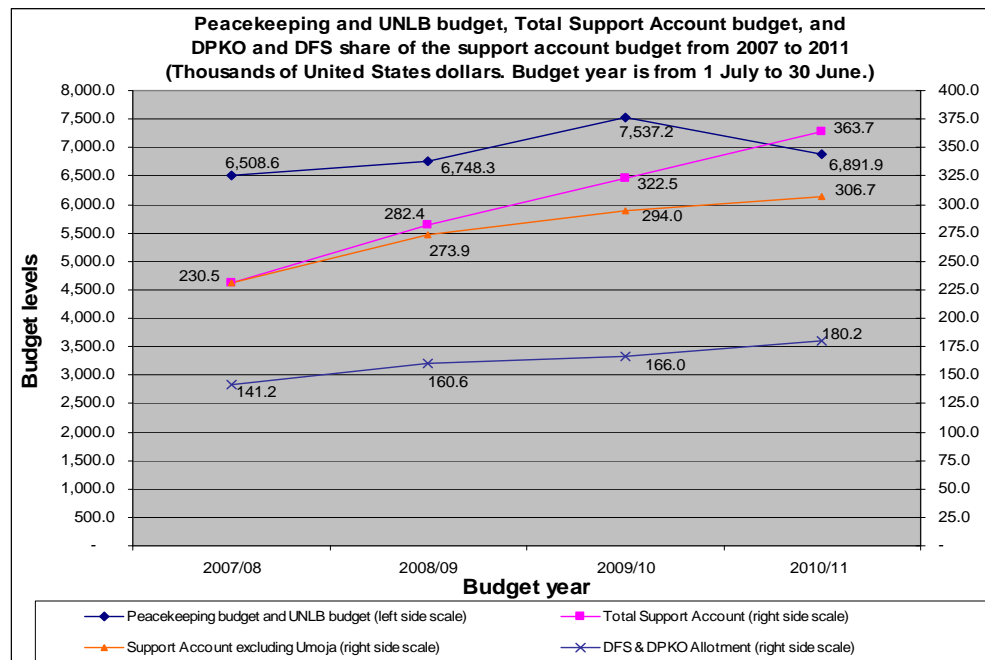
⁹DPKO/DFS Working Group Terms of Reference dated 8 June 2009.

was due to a lag in aligning the support account level with the approved budgets of missions and UNLB¹⁰. This lag was mainly due to the time needed to adjust staffing tables (reassignment, transfer or separation of staff) to the changes in the required support level. The reduction in the total budget of missions and UNLB was mainly due to the closing of MINURCAT in the 2010/11 budget period. The main increase in the level of the support account in 2010/11 was due to the Umoja project for the ERP system (\$57 million) and the establishment of the United Nations Office to the African Union, for which the Support Account provides a significant portion of funding (\$7.7 million). The trends, including and excluding non-recurring budgetary items, are shown in the two tables below:

Table 1

| Support account and DPKO and DFS budget allocation from 2007 to 2011 | | | | |
|--|----------------|----------------|----------------|----------------|
| (millions of United States dollars) | | | | |
| | 2007/08 | 2008/09 | 2009/10 | 2010/11 |
| Peacekeeping budget and UNLB budget | 6,508.6 | 6,748.3 | 7,537.2 | 6,891.9 |
| Total Support Account | 230.5 | 282.4 | 322.5 | 363.7 |
| Support Account excluding Umoja | 230.5 | 273.9 | 294.0 | 306.7 |
| DFS & DPKO Allotment | 141.2 | 160.6 | 166.0 | 180.2 |
| Total Support Account as a percentage of peacekeeping missions and UNLB budgets | 3.5% | 4.2% | 4.3% | 5.3% |
| Total Support Account excluding Umoja as a percentage of peacekeeping missions and UNLB budgets | 3.5% | 4.1% | 3.9% | 4.5% |
| DFS and DPKO allotment as a percentage of peacekeeping missions and UNLB budgets | 2.2% | 2.4% | 2.2% | 2.6% |

Table 2



¹⁰ For this report, the UNLB costs were treated as direct peacekeeping costs for consistent inter-period comparison

15. The net increase in the budget for peacekeeping missions and UNLB over the period from 2007/08 through 2010/11 was 5.9 per cent. Including Umoja budgetary items in this period, the total support account budget shows an increase of 57.8 per cent (33.1 per cent excluding Umoja), with DPKO and DFS accounting for approximately 29.3 per cent of the increase (51.1 per cent excluding Umoja)¹¹. DPKO and DFS budget stakeholders recognized the need to rationalize budget requests while peacekeeping operations were consolidating. As a result, while DPKO and DFS budgeted costs were 61.3 per cent of the total support account budget in 2007/08, by 2010/11 DPKO and DFS costs dropped to 49.5 per cent (58.8 per cent excluding Umoja).

16. PFD performed a detailed review of each peacekeeping budget proposal for 2010/11, including new requests and hence increases in the total support account budget. PFD, which is independent of DPKO and DFS, provides a necessary control mechanism to ensure budgetary requests are rationalized and to mitigate the risk of improper budgeting of the support account.

Funding sources of senior level posts

17. The Secretary-General's report A/50/876 (paragraph 4) on the support account for peacekeeping operations stated that, while variable or additional backstopping costs may be financed from the support account, "...the core backstopping capacity...must be financed from the regular budget." Accordingly, the posts of Assistant Secretary-General and above, as well as a number of other posts in DPKO and DPA, are funded from the regular budget. In DPKO, four posts at the D-2 level are funded from the support account, four D-2 posts are funded from the regular budget, and one D-2 post is funded from extra budgetary funds. In DFS, three posts at the D-2 level are funded from the support account, while the fourth D-2 post is funded from the regular budget. It is unclear which of these posts represent core backstopping activities of a continuous nature versus variable activities related to levels or complexity of peacekeeping operations. In 2007, as part of the restructuring of DPKO and the establishment of DFS, the additional D-2 posts proposed for DPKO and DFS were approved under the support account funding mechanism. In OIOS' opinion, there is a need to review comprehensively the appropriateness of funding sources for these and other level positions.

Recommendation 1

(1) The Executive Office, DPKO and DFS, should identify which posts represent core versus variable or additional backstopping capacity and determine the appropriate source of their funding in terms of the principle in the Secretary-General's report A/50/876 noted by the General Assembly in its resolution 50/221B. When reporting on the support account budget, DPKO and DFS, in coordination with the Department of Management, should bring this matter to the attention of the General Assembly.

¹¹ The DPKO and DFS share of facility costs is budgeted under DM, and was not included in this analysis.

18. *DPKO and DFS commented that this is a policy issue that falls within the purview of DM.* While OIOS agrees that DM possesses ownership over the budget proposal, the identification of posts which represent core activities of a continuous nature to backstop DPKO and DFS and posts backstopping peacekeeping missions is not a function of DM, but a function of the substantive office. Recommendation 1 remains open pending confirmation of identification of posts that represent core versus variable or additional backstopping capacity.

Special political missions budgeting

19. DFS provides administrative and logistical support services to the Department of Political Affairs (DPA) and to DPKO, by delivering dedicated support to United Nations peacekeeping operations, SPMs and other field presences.¹² The allocation of staff and other resources to support peacekeeping missions may be reflected in the support account budget proposal¹³. DFS support to SPMs, however, is not reflected in either the support account budget proposals or in the approved budgets.

20. DPKO and DFS managers expressed concern that some costs of supporting SPMs are funded from the support account, but not specifically expressed in it. Such costs, while not specifically measured or reported, were estimated as sufficiently significant to warrant their monitoring, towards potentially budgeting for them in the future. In its resolution 65/259, the General Assembly requested the Secretary-General to "...conduct a thorough review of the current funding and backstopping arrangements for the special political missions with a view to identifying possible alternatives..." DPKO and DFS advised that while no mechanism has yet been developed to measure and report the costs associated with support provided to special political missions, they were in the initial stages of addressing the General Assembly request.

21. According to DPKO and DFS, the Working Group on the review of funding and backstopping of SPMs met in the beginning of February 2011, with representation from DM and DPA. The goal of this Working Group is to obtain General Assembly approval for changes to the funding and backstopping of SPMs. This will ensure that field missions have access to the necessary support from relevant departments, including DPKO, DFS, DM, DPA and the Department of Safety and Security, to implement their mandates efficiently and effectively, and resources are presented in a transparent manner allowing effective management by the Secretariat and review by Member States.

22. In OIOS' opinion, in support of the action required by the General Assembly in its resolution 65/259, there is a need to establish a mechanism for tracking costs of supporting SPMs, which are currently funded from the support account. If these costs are deemed significant, monitoring and reporting on them can be done separately.

¹² ST/SGB/2010/2, paragraph 2.1 (a).

¹³ A/45/801, paragraphs 16 and 18; A/RES/45/258, paragraph 9.

B. Budgeting procedures and processes

Budget submission through the use of electronic templates

23. The United Nations Integrated Management Information System (IMIS) does not have functionality to support the preparation of budgets. The Organization is planning to have IMIS replaced with the ERP system, which will manage information on all United Nations activities in an integrated manner. This project is overseen by a steering committee chaired by the Under-Secretary-General, DM, and also reports to the Chief Information Technology Officer¹⁴.

24. The support account budget formulation procedures and processes are currently assisted by Excel-based electronic templates, developed by the PFD, DM. These templates are standardized, and are used by departments and offices to submit their Results-based-budgeting (RBB) frameworks and resource requests. At present, data on approved budgets needs to be transferred from the budget preparation templates into IMIS, through a manual process. Although OIOS did not find critical discrepancies in data, the process is prone to human error.

25. While the said manual data transfer process is cumbersome and labour intensive, OIOS is making no recommendation at this time, pending the replacement of IMIS with the ERP system.

Review of procedures for preparing the support account budget

26. The PFD-distributed Controller's Instructions guide the support account user departments on preparing the support account RBB frameworks and resource requests.¹⁵ PFD also conducts an annual meeting to address questions that departments may have on these instructions. In addition, the Executive Office, DPKO and DFS, organizes an annual briefing with the Budget Focal Points from each division, to discuss the preparation of the support account budget.

27. Officials involved in the budget formulation procedures and processes were aware of their respective roles and responsibilities. However, a standard operating procedure on planning and budgeting of the support account may be a useful additional tool to guide new staff involved in the budget process.

V. ACKNOWLEDGEMENT

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

¹⁴ A/65/389, annex III.

¹⁵ Office of Programme Planning, Budget and Accounts, Support account: instructions for the preparation of the 2008/09 performance report and the proposed 2010/11 budget dated 30 July 2009.

STATUS OF AUDIT RECOMMENDATIONS

Assignment No. AP2010/615/05 – Audit of planning and budgeting of the support account in DPKO and DFS

| Recom. no. | Recommend+ation | Risk category | Risk rating | C/O ¹ | Actions needed to close recommendation | Implementation date ² |
|------------|--|---------------|-------------|------------------|---|----------------------------------|
| 1 | The Executive Office, DPKO and DFS, should identify which posts represent core versus variable or additional backstopping capacity and determine the appropriate source of their funding in terms of the principle in the Secretary-General's report A/50/876 noted by the General Assembly in its resolution 50/221B. When reporting on the support account budget, DPKO and DFS, in coordination with the department of management, should bring this matter to the attention of the General Assembly. | Strategy | Medium | O | The departments of peacekeeping and field support identify posts that represent core versus variable or additional backstopping capacity. | Date not provided |

1. C = closed, O = open

2. Date provided by DPKO and DFS in response to recommendations