



INTERNAL AUDIT DIVISION

AUDIT REPORT

Audit of the portfolio of evidence to support the results-based budgeting process in UNSOA

Overall results relating to the reliability of the results-based budgeting portfolio of evidence were initially assessed as partially satisfactory. Implementation of one important recommendation remains in progress.

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

3 May 2012

Assignment No. AP2011/638/06

CONTENTS

	<i>Page</i>
I. BACKGROUND	1
II. OBJECTIVE AND SCOPE	1-2
III. AUDIT RESULTS	2-4
A. Regulatory framework	3
B. Results-based management	3-4
IV. ACKNOWLEDGEMENT	5
ANNEX I Status of audit recommendations	
APPENDIX 1 Management response	

AUDIT REPORT

Audit of the portfolio of evidence to support the results-based budgeting process in UNSOA

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the portfolio of evidence to support the results-based budgeting (RBB) process in the United Nations Support Office for the African Union Mission in Somalia (UNSOA).
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations, and rules.
3. United Nations RBB framework states that, for each component of the budget, the Mission is required to develop expected accomplishments and related indicators of achievement and outputs. At the end of the budget cycle, the Mission should prepare a budget performance report. The portfolio of evidence refers to the data and documents that support the Mission's results-based budgets and related performance reports.
4. For the 2009/10 and 2010/11 fiscal years, UNSOA had approved budgets of approximately \$209 million and \$210 million, respectively. The RBB framework for both fiscal years included the following expected accomplishments:
 - Delivery of a United Nations logistics support package to the African Union Mission in Somalia (AMISOM).
 - Provision of effective administrative support to the United Nations Political Office for Somalia (UNPOS).
5. Comments provided by UNSOA are incorporated in italics.

II. OBJECTIVE AND SCOPE

6. The audit of the portfolio of evidence to support the RBB process was conducted to assess the adequacy and effectiveness of UNSOA governance, risk management and control processes in providing reasonable assurance regarding the **reliability of the RBB portfolio of evidence**.
7. The audit was included in the 2011 OIOS risk-based work plan due to the importance of accurate performance reporting to support the utilization of UNSOA's budgets.
8. The key controls tested for the audit were regulatory framework and results-based management. For the purpose of this audit, OIOS defined these key controls as follows:
 - (a) **Regulatory framework** - controls that provide reasonable assurance that organizational structure, policies and procedures exist and are implemented to guide UNSOA budget performance reporting activities.

(b) **Results-based management** - controls that provide reasonable assurance that a reliable portfolio of evidence exists to support UNSOA’s RBB and related performance reporting.

9. OIOS conducted this audit from September to November 2011. The audit covered the period from 1 July 2009 to 30 June 2011 and reviewed the 2009/10 and 2010/11 portfolio of evidence of the following 12 sections/offices: training, procurement, human resources, contracts management, planning and operations, transport, office of the director, geographic information systems, contingent-owned equipment, security, engineering and communication and information technology sections.

10. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to assess their effectiveness.

III. AUDIT RESULTS

11. UNSOA governance, risk management and control processes examined were assessed as **partially satisfactory** in providing reasonable assurance regarding the **reliability of the portfolio of evidence**. OIOS made four recommendations to address issues identified in the audit. UNSOA had identified focal points and developed a database to facilitate regular collection, compilation and reporting of data for the portfolio of evidence. The Communications and Information Technology Section was maintaining data to support its performance reports, and quarterly RBB reports were being used by all sections as a programmatic monitoring tool. UNSOA was in the process of establishing procedures to verify the completeness and reliability of the portfolio of evidence.

12. The initial overall rating of partially satisfactory was based on the assessment of key controls presented in Table 1 below. The final overall rating is partially satisfactory as implementation of one important recommendation remained in progress.

Table 1: Assessment of key controls

	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Reliability of the RBB portfolio of evidence	(a) Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
	(b) Results-based management	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Regulatory framework

Guidelines and procedures on the budget reporting process

13. Programme managers are expected to implement appropriate mechanisms for collecting, analyzing, vetting and maintaining reliable portfolio of evidence in support of the RBB and related performance reports. However, there were no clear instructions to supplement the existing generic guidelines to ensure that the roles and responsibilities of programme managers and the Budget Section were clearly delineated regarding the budgetary process. As a result, staff members who participated in the data collection process did not compile the necessary data and none of the 12 sections/offices compiled and updated their portfolio of evidence on an on-going basis. Instead, data was collected at the end of the budget period. UNSOA was establishing programme focal points to help gather and analyze data for the portfolio of evidence. In OIOS' view, clearly delineated roles and responsibilities of parties involved in the budget reporting process would have further enhanced the Mission's ability to maintain accurate, timely and reliable portfolio of evidence.

(1) UNSOA should clearly define and communicate the roles and responsibilities of programme managers and their respective focal points in the Results-Based Budgeting process, and develop guidelines and procedures to ensure the effectiveness of the budget reporting process.

UNSOA accepted recommendation 1 and stated that pending overall comprehensive guidance from the Department of Field Support for all peacekeeping operations, UNSOA would issue mission-specific guidelines and procedures. UNSOA had now established the Lotus Notes RBB database and focal points had been identified for all sections. Section chiefs and focal points were instructed on a regular basis, through an interoffice memorandum, to populate the database with the collection, compilation and reporting of RBB data. Based on the action taken, OIOS closed recommendation 1.

B. Results-based management

Verification of the portfolio of evidence

14. There was no process for verifying the accuracy and completeness of the portfolio of evidence submitted by programme managers to the Budget Section, resulting in inaccurate and inconsistent performance reporting as noted below:

- There were no RBB records to support the 2009/10 and 2010/11 RBB performance results of the Communications and Information Technology Section's budgets totaling \$22 million and \$17 million, respectively.
- The Procurement Section under reported the value of purchase orders processed on behalf of UNPOS by \$200,000, representing about 5 per cent of total purchase orders.
- The Human Resources Section under reported the average number of staff for UNSOA by 20.
- In four of eight rotations reviewed, the Movement Control and Planning and Operation Units under reported the number of troops by about 1, 700.

- The Geographic Information Systems Section reported that it produced 125 maps during 2009/10 and 2010/11, but these could not be clearly identified from the 330 maps produced by the Section since the start of UNSOA.
- The Contingent-owned equipment Unit reported 100 per cent quarterly inspections, but there were no records to support this assertion.

(2) UNSOA should ensure that the Communications and Information Technology Section implements appropriate procedures for collecting and analyzing data to support its Results-Based Budgeting performance reports.

UNSOA accepted recommendation 2 and stated that while the Communications and Information Technology Section initially had difficulties during the start-up phase of the mission to provide the relevant information to support its RBB performance reports, it had since provided evidence to support the RBB framework for the first two quarters of 2011/12. OIOS closed recommendation 2 since management's action to address it is of an ongoing nature, but will include a review of these procedures in future audits, as appropriate.

(3) UNSOA should establish a mechanism to verify, on a selective basis, information submitted by its sections/units to ensure the reliability of the portfolio of evidence.

UNSOA accepted recommendation 3 and stated that a verification mechanism would be developed. Recommendation 3 remains open pending the establishment of a mechanism to ensure the reliability of the portfolio of evidence.

Use of the portfolio of evidence as a monitoring tool

15. In addition to providing support for the RBB performance report, the portfolio of evidence can be used by programme managers as a tool for monitoring programme performance. On a regular basis, each programme manager should review the status of actual indicators of achievement and outputs against planned indicators and take necessary actions to ensure programme effectiveness.

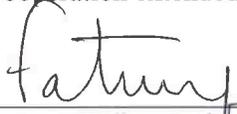
16. As the portfolio of evidence was only prepared on an annual basis, it was not used as a programmatic tool throughout the year to measure progress towards the attainment of expected accomplishments and outputs. Programme managers used monthly key performance indicator reports to monitor progress. However, such reports did not fully reflect the expected achievements and key performance indicators in the RBB.

(4) UNSOA should prepare a consolidated portfolio of evidence on a quarterly basis and circulate it to all programme and senior managers for use as a tool to measure progress towards the attainment of expected accomplishments and planned outputs during the budget cycle.

UNSOA accepted recommendation 4 and stated that a data collection plan had been finalized and quarterly consolidation of the portfolio of evidence was being performed. Quarterly reporting by the section chiefs on the new Lotus Notes database enabled them to measure their section's performance against planned outputs, and take corrective actions as needed. Based on the action taken, OIOS closed recommendation 4.

IV. ACKNOWLEDGEMENT

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



Ms. Fatoumata Ndiaye, Director
Internal Audit Division, OIOS

STATUS OF AUDIT RECOMMENDATIONS

Audit of the portfolio of evidence to support the results-based budgeting process in UNSOA

Recom. no.	Recommendation	Critical ¹ / important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UNSOA should clearly define and communicate the roles and responsibilities of programme managers and their respective focal points in the Results-Based Budgeting process, and develop guidelines and procedures to ensure the effectiveness of the budget reporting process.	Important	C	Action taken	Implemented
2	UNSOA should ensure that the Communications and Information Technology Section implements appropriate procedures for collecting and analyzing data to support its Results-Based Budgeting performance reports.	Important	C	Action taken	Implemented
3	UNSOA should establish a mechanism to verify, on a selective basis, information submitted by its sections/units to ensure the reliability of the portfolio of evidence.	Important	O	Establishment of a mechanism to ensure the reliability of the portfolio of evidence.	31 December 2012
4	UNSOA should prepare a consolidated portfolio of evidence on a quarterly basis and circulate it to all programme and senior managers for use as a tool to measure progress towards the attainment of expected accomplishments and planned outputs during the budget cycle.	Important	C	Action taken	Implemented

1 Critical recommendations address significant and/or pervasive deficiency or weakness in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

2 Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

3 C = closed, O = open

4 Date provided by UNSOA in response to recommendations.