



INTERNAL AUDIT DIVISION

REPORT 2017/113

Audit of budget formulation and monitoring in the United Nations Mission in the Republic of South Sudan

The Mission needed to ensure an accurate projection of its requirements and implement more effective measures to minimize budget variances and redeployments

31 October 2017
Assignment No. AP2017/633/02

Audit of budget formulation and monitoring in the United Nations Mission in the Republic of South Sudan

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of budget formulation and monitoring in the United Nations Mission in the Republic of South Sudan (UNMISS). The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over budget formulation and monitoring in UNMISS. The audit covered the period from July 2015 to August 2017 and included: (a) development of annual budget proposals; (b) alignment of budget proposals with the Mission's strategic priorities; and (c) budget implementation and monitoring including redeployments.

UNMISS aligned its budget with Security Council mandates and strategic priorities and complied with its delegation of authority for budget redeployments. However, it needed to: train budget focal points and section chiefs in formulating budgets and strengthen the review of budget costing sheets; require cost centres to properly assess their requirements; develop and implement procedures to minimize redeployments and variances; and require cost centres to use Umoja project structures to record project costs.

OIOS made four recommendations. To address issues identified in the audit, UNMISS needed to:

- Develop a formal training programme and undertake budgeting workshops to enhance the skills of budget focal points and section chiefs in budget formulation and strengthen the costing sheet review process;
- Take more effective steps, such as requiring those responsible for cost centres to properly assess their requirements considering historical expenditure trends, implementation rates for projects and other relevant factors such as the security situation and government restrictions, to minimize redeployments and variances;
- Implement more effective budget monitoring procedures to ensure timely identification and redeployment of approved and allotted expenditures that are not going to occur; and
- Require cost centres to use Umoja project structures to record project costs.

UNMISS accepted the recommendations and has initiated action to implement them.

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Audit of budget formulation and monitoring in the United Nations Mission in the Republic of South Sudan

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of budget formulation and monitoring in the United Nations Mission in the Republic of South Sudan (UNMISS).
2. General Assembly resolution 55/231 requires the Mission to follow the results-based budgeting (RBB) approach for its budgets. The 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. The Mission's budgets include resource requirements for military, police and civilian personnel costs, such as, salaries and related costs, travel and subsistence of military and police personnel, rations and related operational costs, force-wide equipment and supplies, and transportation.
3. The budget cycle is a 12-month period from 1 July to 30 June. Table 1 shows the budget and expenditures for fiscal years 2015/16 and 2016/17.

Table 1
Financial performance (in \$'000)

| | <i>Apportionment</i> | | <i>Expenditures</i> | | <i>Variance</i> | | | |
|-------------------------------|----------------------|------------------|---------------------|------------------|-----------------|----------------|-------------------|----------------|
| | | | | | <i>Amount</i> | | <i>Percentage</i> | |
| | <i>2015/16</i> | <i>2016/17</i> | <i>2015/16</i> | <i>2016/17*</i> | <i>2015/16</i> | <i>2016/17</i> | <i>2015/16</i> | <i>2016/17</i> |
| Military and police personnel | 458 657 | 461 288 | 415 356 | 459 775 | 43 300 | 1 512 | 9.4% | 0.33% |
| Civilian personnel | 237 647 | 247 945 | 240 159 | 239 328 | (2 511) | 8 617 | (1.1%) | 3.48% |
| Operational costs | 389 464 | 372 554 | 384 254 | 360 560 | 5 210 | 11 993 | (1.3%) | 3.22% |
| Total | 1 085 768 | 1 081 787 | 1 039 769 | 1 059 663 | 45 999 | 22 122 | 4.2% | 2.05% |

Source: Umoja as of 30 June 2017

* Estimates

4. In fiscal year 2017/18, the UNMISS budget provided for the deployment of up to 242 military observers, 16,758 military contingent personnel, 703 United Nations police officers, 1,320 formed police personnel, 926 international staff, 1,470 national staff, 442 United Nations volunteers, 45 temporary positions and 78 government-provided personnel.
5. The UNMISS Budget and Finance Section, in consultation with self-accounting units, was responsible for formulating the Mission's budget based on instructions received from the United Nations Controller. The Chief Budget and Finance Officer, at P-5 Level, headed the Section and was supported by 16 international staff and 12 national staff. The Section reported to the Director of Mission Support (DMS) through the Deputy Director of Mission Support.
6. Comments provided by UNMISS are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

7. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over budget formulation and monitoring in UNMISS.

8. This audit was included in the 2017 risk-based work plan of OIOS due to the financial and operational risks resulting from effective allocation and utilization of resources in alignment with strategic priorities.

9. OIOS conducted this audit from March to August 2017. The audit covered the period from July 2015 to August 2017. Based on an activity-level risk assessment, the audit covered higher and medium risks areas in the budget formulation and monitoring process, which included: (a) development of annual budget proposals; (b) alignment of budget proposals with the Mission's strategic priorities; and (c) budget implementation and monitoring including redeployments.

10. The audit methodology included: (a) interviews of key personnel, (b) reviews of relevant documentation, (c) analytical reviews of data, and (d) sample testing using a judgmental sampling approach.

III. AUDIT RESULTS

A. Alignment with strategic objectives and priorities

The Mission aligned its budget with Security Council mandates and strategic priorities

11. Security Council resolutions 2155 and 2187 (2014); 2223 and 2252 (2015); and 2302, 2304 and 2327 (2016) established the Mission's mandate including the number of military and police personnel. The Department of Peacekeeping Operations/Department of Field Support (DPKO/DFS) strategy and instructions from the Controller require UNMISS to: (a) develop budget submissions that reflect strategic priorities identified jointly by the Under-Secretaries-General for Peacekeeping Operations and Field Support and the Controller, and (b) develop and use the RBB framework in the formulation of its budget.

12. The Mission's budgets for fiscal years 2015/16, 2016/17 and 2017/18 were aligned with its strategic objectives and priorities as established in various Security Council resolutions. The Security Council mandated the Mission to prioritize the following areas: (a) protecting civilians from violence and the threat of violence; (b) monitoring and investigating human rights violations; (c) supporting the implementation of the cessation of hostilities agreement; (d) helping to ensure the security and freedom of movement of United Nations and associated personnel to allow timely delivery of humanitarian assistance; and (e) developing and strengthening the security risk management strategy and process to ensure the safety and security of United Nations personnel, United Nations mandate implementation and programme delivery.

13. UNMISS also formulated its budgets based on the RBB framework. The budgets for each component and programme clearly identified relevant activities, expected accomplishments and related indicators of achievements. The Mission also linked the planned activities and outputs to the Mission's priorities and regularly monitored progress of implementation of the planned activities. OIOS concluded that UNMISS had implemented adequate and effective controls to ensure its budget was properly aligned with the mandates set out by relevant Security Council resolutions, DPKO/DFS strategic guidance and the Mission's priorities.

B. Planning assumptions and determination of requirements

UNMISS needed to improve its review of costing sheets to ensure accurate and realistic budget estimates

14. The 2015/16, 2016/17 and 2017/18 budget formulation instructions from the Controller require UNMISS to base its cost estimates on the United Nations Standard Cost and Ratios Manual (SCRM) and relevant contracts or agreements. The DPKO/DFS strategic guidance requires UNMISS to outline the main assumptions about the future operating environment in relation to mandate implementation. Security Council resolutions 2223 and 2252 (2015); and 2302, 2304 and 2327 (2016) set the authorized number of military and police for the Mission and General Assembly resolution 68/281 set the reimbursement rates to countries contributing contingent personnel. The standard budget costing sheets require UNMISS to provide all pertinent information used to determine individual requirements. This includes: (a) existing stock at the beginning of the planning period; (b) previous years' consumption and other factors used to project requirements for the coming budget period; and (c) correct prices per unit of measure based on existing inventory, contracts, leases or recent purchases.

15. UNMISS budgets for fiscal years 2015/16, 2016/17 and 2017/18 recognized continuing instability in South Sudan, deterioration in humanitarian crisis, protection of civilian sites challenges and challenging relationship between the Mission and the government, primarily around issues of freedom of movement and security as well as respect for the status of forces agreement. The Mission budgets for the respective fiscal years consequently reflected and prioritized resource allocations towards protection of civilians though increased deployment of necessary troops and police contingents to enable patrols, enhancement of staff safety and security measures, an appropriate civilian staff and administrative support capability, and a budget for deploying unmanned aerial vehicles for intelligence gathering.

16. The Mission's military resource requirements for budget years 2015/16, 2016/17 and 2017/18 estimated at \$408 million, \$403 million and \$512 million respectively, and the police resource requirements estimated at \$51 million, \$58 million and \$62 million respectively, were consistent with their authorized deployment strength and were also consistent with the troop reimbursement rates approved by the General Assembly in resolution 68/281. However, a review of 146 items selected from the 2015/16, 2016/17 and 2017/18 budget costing sheets indicated the following:

- The Mission overestimated the Mission Subsistence Allowance (MSA) costs for military observers, military headquarters staff officers and United Nations police by a total of \$3 million on the 2015/16 and 2016/17 costing sheets. This was because the MSA rates used by UNMISS on the 2015/16 and 2016/17 costing sheets were incorrect. UNMISS used an MSA rate of \$188 per day while the rate specified in the SCRM was \$136 per day;
- UNMISS underestimated costs related to communications and information technology for 2017/18 by \$89,694. This was because unit prices used to calculate estimated costs for three items were based on prices from an outdated SCRM for fiscal year 2015/16;
- The Mission overstated its requirements for motor vehicles spares by \$1 million in 2016/17 because the Transport Section did not fully consider how the receipt of new vehicles and the disposal of old vehicles would affect the demand for spare parts during the period; and
- The Mission overestimated the costs related to the acquisition of station wagons and electric forklifts in its 2016/17 budget request by \$874,240. This was because the Transport Section did not use the prices in the SCRM to calculate the estimated costs for these items.

17. The above occurred because section chiefs and the Budget Section did not adequately review costing sheets to ensure their accuracy. In addition, the Mission had not provided training on the budget formulation process to all budget focal points and section chiefs.

18. As a result, errors occurred in preparing budget estimates leading to excessive acquisitions increasing risk of financial loss to the Organization, and unnecessary budget reassignments during the year.

(1) UNMISS should develop a formal training programme and budgeting workshops to enhance the skills of budget focal points and section chiefs in formulating budgets and strengthen the costing sheet review process.

UNMISS accepted recommendation 1 and stated that it would, in coordination with the Integrated Mission Training Centre, conduct a formal training programme on the formulation of UNMISS annual budget and the roles and responsibilities of individual sections. Recommendation 1 remains open pending receipt of evidence that the Mission has conducted formal training on formulation of the UNMISS budget, the roles and responsibilities of individual sections, and the review process of costing sheets.

C. Budget implementation and monitoring

Need to take more effective measures to minimize budget redeployments and variances

19. The Advisory Committee on Administrative and Budgetary Questions (ACABQ) in its 27 April 2015 report on cross-cutting issues related to peacekeeping operations (A/69/839) requires missions to keep budget redeployments to a minimum to ensure fiscal discipline and control is properly maintained. The General Assembly, in its resolution 70/286, highlighted the Board of Auditors' observation that the Organization's budget formulation process was weakened by unrealistic assumptions and a failure to take note of historical trends or consider all relevant factors, leading to significant variances. In addition, the Controller has delegated authority to the DMS to redeploy funds between in-mission budget lines provided the authorized strength of military and police personnel and the staffing table for civilian personnel and funds allocated to quick-impact projects are not exceeded. UNMISS is required to submit and obtain approval from the Peacekeeping Financing Division for redeployments between United Nations Headquarters cost centres and UNMISS cost centres.

20. UNMISS made 160 redeployments amounting to \$193.98 million between 1 July 2015 and 30 June 2017. The total value of redeployments in each of fiscal years 2015/16 and 2016/17 was equal to 9 per cent of the UNMISS budget for each of those years. Table 2 shows a summary of UNMISS redeployments between and within commitment classes for fiscal years 2015/16 and 2016/17.

Table 2
Summary of redeployments (value in \$'000)

| | 2015/16 | | 2016/17 | | Total | |
|---------------------------|-----------|---------------|-----------|---------------|------------|----------------|
| | No. | Value | No. | Value | No. | Value |
| Between commitment groups | 15 | 11 787 | 7 | 25 064 | 22 | 36 851 |
| Within commitment group | 72 | 86 793 | 66 | 70 331 | 138 | 157 124 |
| Total | 87 | 98 580 | 73 | 95 395 | 160 | 193 975 |

Source: Umoja as of 30 June 2017

21. All the 160 redeployments reviewed were duly approved in accordance with the Controller's instructions and delegation of authority to the DMS. However, UNMISS could have minimized the number of redeployments with better budget formulation. For example:

- In June 2017, the Mission redeployed \$16.2 million from the aviation and mine action budget lines, representing 33 per cent of the budget allotted to those lines, to the Engineering Section for the replacement of prefabricated accommodations and the purchase of generators and related spares. The redeployment increased the fiscal year 2016/17 appropriation for the acquisition of prefabricated accommodations from \$2.4 million to \$14.3 million, an increase of 496 per cent. Likewise, the redeployment increased the budget appropriation for the acquisition of generators and electrical equipment from \$0.4 million to \$1.6 million, an increase of 258 per cent. The Mission indicated that the redeployments were necessary to fund: (a) prefabricated accommodations for the 4,000 Regional Protection Force troops approved by the Security Council; (b) the replacement of prefabricated staff accommodations that had exceeded their useful life; (c) construction of warehouses; and (d) the purchase of modular security fencing to construct additional safe havens for staff following the security crisis in Juba in July 2016. Although the redeployments were for approved uses, OIOS is of the view that the Mission should have included costs related to the replacement of prefabricated staff accommodations that had exceeded their useful life and construction of warehouses in its initial budget proposal for 2016/17 as these requirements were known at the time of budget preparation; and

- In fiscal year 2016/17, the Mission requested the reallocation of \$5.1 million from its air transport budget allotted to the Department of Field Support - Aviation Section to the UNMISS General Services budget. These funds were used for expenditures relating to the clearance of a weapons-free zone around the United Nations House and payment for camp services under an agreement between UNMISS and a United Nations Agency (Agency A). The Mission had not included the requirement for provision of camp services under the arrangement with Agency A in its General Services budget request for 2016/17.

22. The Mission had significant variances between appropriations and actual expenditures in fiscal years 2015/16 and 2016/17 in 8 of 22 commitment item groups (see Table 3). However, UNMISS did not adjust future requirements on these commitment item groups to consider historical performance. For instance, in 2015/16 the air transportation group had under-expenditures of \$26.04 million; nevertheless, the appropriation for this group in 2016/17 increased from \$146.36 million to \$156.37 million; with an under-expenditure of \$44.77 million in 2016/17. Moreover, for fiscal years 2015/16 and 2016/17, the Mission had over-expenditures of \$32.33 million and \$14.94 million respectively on the acquisition of prefabricated accommodations and generators, and \$10.94 million and \$27.68 million respectively on the facilities and infrastructure budget line, which were facilitated through redeployments.

23. Although the Mission had provided justifications for all eight item groups in its budget performance report for 2015/16, the same commitment item groups reported significant variances in budget year 2016/17 as shown in Table 3.

Table 3
Variance between appropriation and expenditure by commitment group (in \$'000)

| | 2015/16 | | | | 2016/17 | | | |
|-------------------------------|---------------|-------------|----------|----------|---------------|-------------|----------|--------|
| | Appropriation | Expenditure | Variance | | Appropriation | Expenditure | Variance | |
| Acquisition of prefab units | 7 790 | 29 115 | (21 325) | (274%) | 3 152 | \$16 806 | (13 654) | (433%) |
| Acquisition of generators | 502 | 11 511 | (11 009) | (2 193%) | 755 | 2 073 | (1 318) | (175%) |
| Naval transportation | 1 880 | 7 432 | (5 552) | (295%) | 1 636 | 3 936 | (2 300) | (141%) |
| Facilities and infrastructure | 107 055 | 117 995 | (10 940) | (10%) | 85 827 | 113 508 | (27 681) | (32%) |
| Official travel | 6 130 | 4 966 | 1 164 | 19% | 5 665 | 5 065 | 600 | 11% |
| Air transportation | 146 356 | 120 312 | 26 044 | 18% | 156 373 | 111 603 | 44 770 | 29% |
| Medical | 2 809 | 2 083 | 726 | 26% | 1 956 | 1 615 | 341 | 17% |
| Quick-Impact projects | 1 000 | 822 | 178 | 18% | 1 000 | 905 | 95 | 10% |

Source: Umoja as of 30 June 2017

24. The above occurred because when formulating its budget for 2015/16 and 2016/17, UNMISS did not ensure that sections properly assessed their requirements and adjusted their budget assumptions based on actual conditions, taking into consideration historical trends on expenditures, implementation rates for projects and other relevant factors such as the security situation and government restrictions. However, the Mission's appropriations for fiscal year 2017/18 reflected an increase in the budget for prefabricated units and reductions for official travel, air transportation and medical services.

25. UNMISS indicated that the redeployments and variances were a result of changes in the situation on the ground and in the Mission's priorities after the budget was approved. For example, after the July 2016 crisis, the Security Council approved the deployment of an additional 4,000 troops but required UNMISS to accommodate the additional expenditures related to the additional troops without any additional funding.

26. Consequently, there was a risk that the Mission may not use funds for the purposes approved by the General Assembly.

(2) UNMISS should take more effective steps, such as requiring cost centres to properly assess their requirements considering historical expenditure trends, implementation rates for projects and other relevant factors such as the security situation and government restrictions, to minimize redeployments and variances.

UNMISS accepted recommendation 2 and stated that it was performing a thorough analysis of historical expenditure trends during the budget preparation process, and took into consideration performance reports from previous financial cycles when drawing planning assumptions. However, budget estimates were prepared about one year before the actual budget implementation and therefore some priorities change due to the volatile political, security and economic environment in South Sudan. Redeployments were therefore necessary to maintain smooth operations. The Mission was also conducting comprehensive analysis of the funding situation before the approval of any redeployment request to reduce the number of redeployments to a minimum. OIOS notes the challenges posed by the volatile political, security and economic environment in South Sudan, which had continued since December 2013; however, OIOS is of the view that expenditures relating to conditions that existed and are known at the time of budget formulation such as accommodations that exceeded their useful life and generators requiring replacement should duly be reflected in the budget proposal for the relevant periods to minimize redeployments. Recommendation 2 remains open pending receipt of evidence that historical expenditure trends and project implementation rates are adequately considered when formulating budgets and that redeployments and variances are minimized during budget implementation.

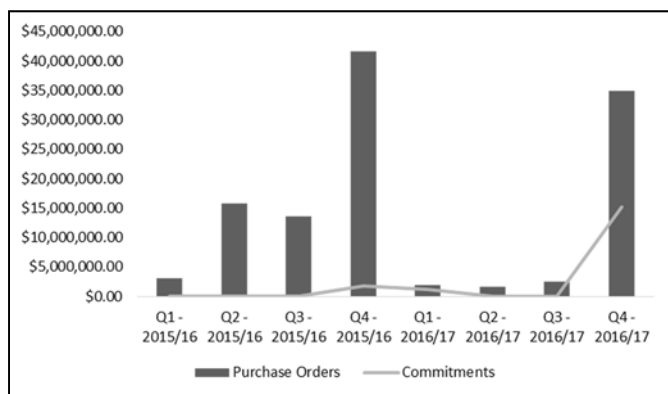
There was a need to reduce concentration of expenditures in the last quarter of the fiscal year

27. The United Nations Financial Regulations and Rules require the Mission to ensure economy, efficiency and effectiveness in the use of resources. The ACABQ and the Fifth Committee also require missions to implement budgets in a sound and transparent manner.

28. OIOS review of budget performance reports, purchase orders and commitments for 2015/16 and 2016/17 indicated that in the last quarter of fiscal year 2015/16 the Mission raised 2,801 purchase orders valued at \$72.97 million and 13,971 commitments valued at \$30.54 million, representing 28 per cent of the Mission's operating budget. Similarly, in fiscal year 2016/17, the Mission raised 5,906 purchase orders valued at \$68.02 million and 10,447 commitments valued at \$23.31 million in the last quarter of the fiscal year, representing 23 per cent of the Mission's operating budget.

29. An analysis of purchase orders and commitments indicated that there was a pronounced trend towards increased purchase order and commitment activity during the last quarter, partly to utilize redeployed funds. For example, the engineering and facilities management cost centre, which had an original appropriation of \$38.2 million and redeployments totaling \$39.24 million for budget year 2015/16, had \$41 million worth of purchase orders and \$1.8 million in fund commitments recorded in the fourth quarter. Likewise, in budget year 2016/17, the same cost centre, with an original appropriation of \$37.7 million and redeployments totaling \$20.81 million, had \$34.9 million in purchase orders and \$15.2 million in commitments recorded in the fourth quarter. Chart 1 illustrates the trend of increases in purchase orders and commitments raised for the engineering and facilities management cost centre in the fourth quarter of fiscal years 2015/16 and 2016/17.

Chart 1
Purchase orders and commitments per quarter
Engineering and Facilities Management cost centre



Source: Umoja as of 30 June 2017

30. The above occurred because the Mission did not have sufficient monitoring mechanisms to timely identify approved and allotted expenditures that were not going to occur and redeploy these throughout the fiscal year.

31. The Mission stated that self-accounting units were required to monitor and track their performance against budgets using Umoja. The Budget and Finance Section only conducted monitoring reviews of budget implementation when they noticed errors, and the DMS held regular meetings with service chiefs, which included discussions on budget implementation. However, OIOS was unable to ascertain whether these mechanisms were adequate as there were no records of matters discussed or decisions made in these meetings.

32. The large number of purchase orders and commitments in the last quarter of the fiscal year indicates a “rush-to-spend” effort by the Mission, which may not ensure efficient and economic utilization of resources.

(3) UNMISS should implement more effective budget monitoring procedures to ensure timely identification and redeployment of approved and allotted expenditures that are not going to occur.

UNMISS accepted recommendation 3 and stated that it was monitoring budget implementation and expenditure on a monthly basis, and providing monthly status reports to the DMS. In addition, UNMISS sections were monitoring expenditure against the approved budget on a regular basis at their level. The monitoring and control aspect also factored in the procurement process that in some instances could take up to nine months to complete. OIOS notes that although the Deputy Director of Mission Support was provided with some talking points for meetings with section chiefs, which include some budget elements, and the DMS was provided with monthly status reports, these were not sufficient evidence that the Mission was monitoring its budget effectively. The Mission did not provide evidence that sections were monitoring their expenditures on a regular basis. Recommendation 3 remains open pending receipt of evidence that the Mission monitors budget implementation and expenditure on a monthly basis, and timely identifies and redeploys expenditures that are not going to occur.

The Mission adequately documented programmatic activities

33. The 2017/18 budget instructions by the Controller required missions to provide detailed information on costs related to programmatic activities in a clear and consistent manner to support the effective implementation of mandated tasks. In this regard, Missions were provided with a template to capture detailed information on programmatic activities.

34. OIOS review of the 2017/18 specialized expenditure worksheets for three programmatic areas, United Nations Police support to the South Sudan National Police Service, Civil Affairs, and Relief, Reintegration and Protection initiatives to facilitate safe and voluntary return of internally displaced persons to places of origin indicated that UNMISS provided detailed information in a clear and consistent manner. The submissions indicated the types of activities to be undertaken, a detailed description of the activities to be undertaken, their relationship to a specific budget output, the names of implementing partners and programme support costs where applicable.

35. OIOS concluded that the Mission presented detailed information on costs related to programmatic activities in a clear and consistent manner to support implementation of mandated tasks.

Need to use Umoja project management functionality to track project expenditures

36. The General Assembly, in resolution 70/286, requested the Secretary-General to enhance the accuracy of budgeting by improving aspects of project planning, management and oversight, and to monitor the execution of works to ensure their timely completion. Umoja has functionality for the use of project structures to record project costs and monitor project components and milestones at a detailed level.

37. UNMISS was not tracking or monitoring expenditures for engineering projects using Umoja work breakdown structures. The Engineering Section was using Microsoft Project and Excel spreadsheets to schedule projects, but it did not use these applications to track project costs. This issue was previously raised in report 2015/123 on an audit of the management of engineering projects in UNMISS.

38. As a result, UNMISS was unable to monitor engineering project components, costs and milestones to enhance the accuracy of recorded expenditures. For example, for budget year 2015/16, UNMISS had \$18.8 million in appropriations for construction projects. However, it recorded only \$4.2 million under the related commitment items in Umoja. Likewise, in budget year 2016/17, the Mission only recorded \$10.3 million under the construction project related commitment items against an appropriation of \$15.8 million. UNMISS recorded the rest of the costs in Umoja, however, it did not link them to specific projects making tracking of costs difficult.

39. The above occurred because UNMISS did not have a policy and procedures in place requiring cost centres to use Umoja project structures to record project costs.

(4) UNMISS should require cost centres to use Umoja project structures to record project costs.

UNMISS accepted recommendation 4 and stated that it was committed to using Umoja project structures to better analyse and monitor total project costs and exercise control over expenditure in accordance with the approved budget. Recommendation 4 remains open pending receipt of evidence that UNMISS cost centres are using Umoja project structures to record project costs.

IV. ACKNOWLEDGEMENT

40. OIOS wishes to express its appreciation to the management and staff of UNMISS for the assistance and cooperation extended to the auditors during this assignment.

(Signed) Eleanor T. Burns
Director, Internal Audit Division
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS
Audit of budget formulation and monitoring in UNMISS

| Rec. no. | Recommendation | Critical ¹ / Important ² | C/ O ³ | Actions needed to close recommendation | Implementation date ⁴ |
|----------|--|---|----------------------|---|----------------------------------|
| 1 | UNMISS should develop a formal training programme and budgeting workshops to enhance the skills of budget focal points and section chiefs in formulating budgets and strengthen the costing sheet review process. | Important | O | Receipt of evidence that the Mission has conducted formal training on formulation of the UNMISS budget, the roles and responsibilities of individual sections, and the review process of costing sheets. | 30 June 2018 |
| 2 | UNMISS should take more effective steps, such as requiring cost centres to properly assess their requirements considering historical expenditure trends, implementation rates for projects and other relevant factors such as the security situation and government restrictions, to minimize redeployments and variances. | Important | O | Receipt of evidence that historical expenditure trends and project implementation rates are adequately considered when formulating budgets and that redeployments and variances are minimized during budget implementation. | 30 June 2018 |
| 3 | UNMISS should implement more effective budget monitoring procedures to ensure timely identification and redeployment of approved and allotted expenditures that are not going to occur. | Important | O | Receipt of evidence that the Mission monitors budget implementation and expenditure on a monthly basis, and timely identifies and redeploys expenditures that are not going to occur. | 30 June 2018 |
| 4 | UNMISS should require cost centres to use Umoja project structures to record project costs. | Important | O | Receipt of evidence that UNMISS cost centres are using Umoja project structures to record project costs. | 30 June 2018 |

¹ Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

² Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or 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 UNMISS in response to recommendations.

APPENDIX I

Management Response

Management Response

Audit of budget formulation and monitoring in the United Nations Mission in the Republic of South Sudan

| Rec. no. | Recommendation | Critical ¹ / Important ² | Accepted? (Yes/No) | Title of responsible individual | Implementation date | Client comments |
|----------|---|---|-----------------------|---------------------------------------|------------------------|--|
| 1 | UNMISS should develop a formal training programme and budgeting workshops to enhance the skills of budget focal points and section chiefs in formulating budgets and strengthen the costing sheet review process. | Important | Yes | Chief Budget and Finance Section | 30 June 2018 | <p>It is a regular annual practice for UNMISS to organize a budget workshop for all section chiefs and budget focal points immediately after having received the Controller's instructions on budget preparations for the next cycle. For example, this year in August the Chief Budget Finance Officer led the training for services and focal points.</p> <p>To further enhance the capacity of each individual section to analyze and plan their requirements, UNMISS will conduct in coordination with IMTC a formal training program on the formulation of UNMISS annual budget, and the roles and responsibilities of individual sections.</p> |
| 2 | UNMISS should take more effective steps, such as requiring those responsible for cost centres to properly assess their requirements considering historical expenditure trends, implementation rates for projects and other relevant factors such as the security situation and government | Important | Yes | Chief Budget and Finance Section | Implemented | UNMISS does a thorough analysis of historical expenditure trends during the preparation of each budget. In addition to being in constant communication and discussion with the respective sections throughout the process, performance reports from previous financial cycles, UNMISS |

¹ Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

² Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Management Response

Audit of budget formulation and monitoring in the United Nations Mission in the Republic of South Sudan

| Rec. no. | Recommendation | Critical ¹ / Important ² | Accepted? (Yes/No) | Title of responsible individual | Implementation date | Client comments |
|----------|---|---|-----------------------|---------------------------------------|------------------------|---|
| | restrictions, to minimize redeployments and variances. | | | | | performance reports for 2014/15 and 2015/16 are used to draw planning assumptions and guide the process. It is worth noting, however, that budget estimates are prepared about one year before the actual budget implementation; the lead time is such that priorities may change in the meantime, this being the result of a highly volatile political, security and economic environment in the country. As a consequence, redeployment of funds is a tool that the Mission uses to maintain a smooth field operation and provide adequate support to its dependencies and programmes. Nevertheless, UNMISS does a comprehensive analysis of the funding situation before the approval of any redeployment request, thus making every effort to reduce the number of such requests to a very minimum. |
| 3 | UNMISS should implement more effective budget monitoring procedures to ensure timely identification and redeployment of approved and allotted expenditures that are not going to occur. | Important | Yes | Chief Budget and Finance Section | Implemented | UNMISS monitors budget implementation and expenditure on a monthly basis, and provides monthly status reports to the DMS. In addition, UNMISS sections monitor expenditure against the approved budget on a regular basis at their level. It is worth noting that the monitoring and control aspect also factors in the procurement process that in some instances can take up to nine months to |

Management Response

Audit of budget formulation and monitoring in the United Nations Mission in the Republic of South Sudan

| Rec. no. | Recommendation | Critical ¹ / Important ² | Accepted? (Yes/No) | Title of responsible individual | Implementation date | Client comments |
|----------|---|---|-----------------------|---------------------------------------|------------------------|---|
| | | | | | | complete, from solicitation and to raising a commitment. |
| 4 | UNMISS should require cost centres to use Umoja project structures to record project costs. | Important | Yes | Chief Budget and Finance | 30 June 2018 | UNMISS is committed to using Umoja project structures to better analyze and monitor total project costs and exercise control over expenditure in accordance with the approved budget. |