



INTERNAL AUDIT DIVISION

REPORT 2017/128

Audit of budget formulation and monitoring in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo

There was a need to strengthen review of expenditures charged against programmatic activities

6 December 2017
Assignment No. AP2017/620/11

Audit of budget formulation and monitoring in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of budget formulation and monitoring in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO). 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 MONUSCO. The audit covered the period from 1 July 2015 to 30 June 2017 and included: (a) alignment of budgets with the mandate, strategic objectives and priorities; (b) planning assumptions and determination of resource requirements; and (c) budget implementation and monitoring.

MONUSCO established its resource priorities, concept and strategies in accordance with relevant Security Council resolutions, prepared results-based frameworks that were used to formulate its budgets for 2015/16, 2016/17 and 2017/18, and complied with the conditions to redeploy funds. OIOS recommended; however, that MONUSCO strengthen its review of expenditures charged against programmatic activities. MONUSCO accepted the recommendation and has initiated action to implement it.

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Audit of budget formulation and monitoring in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of budget formulation and monitoring in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO).
2. The Finance and Budget Section coordinates the budget formulation and performance reporting process, monitors expenditure, advises self-accounting units and senior management on the budgetary process, and liaises with appropriate finance and budget offices and divisions at the United Nations Headquarters. The MONUSCO Budget Steering Committee oversees the budget formulation process, monitors its implementation and advises the Special Representative of the Secretary-General (SRSG) on redeployments and other budgetary matters. The Deputy SRSG, Operations and Rule of Law chairs the Committee.
3. The MONUSCO Strategic Planning Cell supports the framing of the Mission's strategic priorities on behalf of the SRSG and directs the budget process, the results-based frameworks, and reporting thereon. It also coordinates and consolidates budget requests from substantive sections based on the approved results-based frameworks.
4. The Finance and Budget Section is headed by a Chief at the P-5 level who reports to the Director of Mission Support and is supported by 10 international staff, 19 national staff, and 1 United Nations volunteer. The Strategic Planning Cell is headed by an Officer at the P-5 level reporting to the Mission Chief of Staff and supported by three international and one national staff.
5. MONUSCO budget appropriations for financial years 2015/16 and 2016/17 were \$1.4 billion and \$1.3 billion respectively, summarized by group in Table 1.

Table 1
Financial performance (in \$'000)

	<i>Apportionment</i>		<i>Expenditure</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	602 867.7	593 499.3	584 600.7	573 788.6	18,267.0	19 710.7	3.0%	3.3%
Civilian personnel	317 043.2	285 896.1	309 149.3	305 543.2	7 893.9	(19 647.1)	2.5%	(6.9%)
Operational costs	407 267.7	354 327.7	407 358.5	353 258.6	(90.8)	1 069.1	0.0%	0.3%
Quick-impact projects	5 000.0	2 000.0	4 993.0	1 867.5	7.0	132.5	0.1%	6.6%
Prorated costs	65 878.1	74 546.7	65 878.1	74 546.7	--	--	0.0%	0.0%
Total	1 398 056.7	1 310 269.8	1 371 979.6	1 309 004.6	26 077.1	1 265.2	1.9%	0.1%

Source: Umoja as of 30 June 2017

6. MONUSCO spent 98.1 per cent of its budget appropriations for 2015/16 and 99.9 per cent in 2016/17. For the 2016/17 budget, MONUSCO provided for the deployment of up to 760 military observers and staff officers, 19,815 military contingent personnel, 391 United Nations police officers, 1,050 formed police personnel, 889 international staff, 2,756 national staff, and 420 United Nations Volunteers and 90 Government-provided personnel.
7. Comments provided by MONUSCO are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

8. 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 MONUSCO.

9. This audit was included in the 2017 risk-based work plan of OIOS due to the financial and operational risks resulting from the failure to effectively allocate resources in alignment with strategic priorities for implementation of the MONUSCO mandate.

10. OIOS conducted this audit from March to June 2017. The audit covered the period from 1 July 2015 to 30 June 2017. Based on an activity-level risk assessment, the audit covered higher and medium risk areas, which included: (a) alignment of budgets with strategic objectives and priorities; (b) planning assumptions and determination of resource requirements; and (c) budget implementation and monitoring.

11. The audit methodology included: (a) interviews of key personnel of the Finance and Budget Section, self-accounting units and the Strategic Planning Cell; (b) reviews of budget performance reports and other reports in Umoja; (c) analytical reviews of appropriations and expenditure data extracted from Umoja; (d) sample testing of accounts with significant variances and fund redeployments; and (e) review of standard costing sheets.

12. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

III. AUDIT RESULTS

A. Alignment of budgets with mandate, strategic objectives and priorities

MONUSCO aligned its budgets with its mandate and strategic objectives

13. Security Council resolutions 2098 (2014), 2211 (2015) and 2277 (2016) that established the MONUSCO mandate, the Departments of Peacekeeping Operations and Field Support (DPKO/DFS) strategy, and the Controller's instructions require MONUSCO to: (a) develop a strategy and define resource priorities based on established planning assumptions and the expected environment in which MONUSCO operates; (b) develop and use the results-based budget framework in formulating its budget; and (c) take into account the activities undertaken by the United Nations agencies when developing its resource requirements.

14. MONUSCO prepared its budgets for 2015/16, 2016/17 and 2017/18 based on planning assumptions on key drivers such as the expected outlook of the country's political climate, human rights violations, electoral related violence and presence of armed groups, and linked these to its mandate. The budgets were prepared using the results-based framework under four mandated components: protection of civilians; stabilization of the country; strengthening and supporting national institutions; and mission support. The budgets also took into account the Mission concept of operations which included the extended mandate as per Security Council resolution 2277, to provide logistical and technical support for the electoral process, and an integrated agile military, police and civilian component. MONUSCO formulated its budgets with the participation of all stakeholders including the force, police, substantive sections and mission support and took into account activities undertaken by other United Nations entities in the country.

15. OIOS concluded that MONUSCO implemented adequate controls to align its budget formulation to its mandate as set out by relevant Security Council resolutions, DPKO/DFS strategy, the Mission's priorities and the Controller's instructions, and developed resource priorities.

B. Determination of requirements

Controls over determination of resource requirements were adequate

16. The Standard Cost and Ratios Manual requires MONUSCO to determine resource requirements based on the best available information at the time of planning including: (a) existing inventory and assets at the beginning of the planning period; (b) previous years' consumption or available assets (including prefabricated accommodation and materials for construction and renovations) and other factors used to forecast requirements for the coming budget period; and (c) the use of unit prices based, for example, on existing inventory, contracts, leases or recent purchases.

17. OIOS reviewed 26 out of 51 costing worksheets for operational costs (Group III) for five out of nine commitment item groups, i.e., (a) information technology, (b) communication, (c) air transportation, (d) facilities and infrastructure; and (e) other supplies, services and equipment for the financial year 2016/17 with a total value of \$289 million out of \$324 million. The review indicated that MONUSCO used the best available information at the time of planning for 25 of the 26 costing sheets and included: unit prices based on existing inventory, local or system contracts or property lease agreements; requirements for fixed assets, existing stock, replacements, disposals and new requirements; and standard costs and ratios, staff vacancy rates and military and police deployment rates as advised by DPKO/DFS, where appropriate. The costing sheets also included estimates for construction projects and materials totaling \$11.5 million and estimates for disarmament, demobilization, repatriation, reinsertion and reintegration programme totaling \$13 million that were also adequately supported and aligned to their work plans.

18. Additionally, the Mission in its 2017/18 budget proposal took into account the: (a) discontinuation of the danger pay entitlement for national and international civilian staff as of 1 January 2016 in Goma and Bukavu; (b) proposed acquisition of five additional wastewater treatment plants in Uvira, Kwanja, Panzi, Rwindi and Himbi to treat water before disposal in to the environment that were budgeted at the current systems contract prices; (c) reduced need for stationery and office supplies, spare parts and supplies and sanitation and cleaning materials, in line with the pattern of previous expenditures; (d) reduced fuel prices (\$0.84 per litre for 2016/17 compared with \$0.81 per litre for 2017/18 for diesel fuel, and \$0.82 per litre for 2016/17 compared with \$0.77 per litre in 2017/18 for kerosene); and (e) reduced operating and flying hour costs of helicopters based on a new commercial contract, from \$2.9 million and \$450 per hour in 2016/17 to \$2.5 million and \$360 per hour in 2017/18.

19. However, there was an instance where the costing sheet for the product category "uniforms, badges and gear" with a budgeted value of \$1.3 million was not adequately aligned with the acquisition plan prepared by the Life Support Section. MONUSCO indicated that this situation was not repeated in the formulation of the 2018/19 budget for this product category. OIOS concluded that controls over determination of resource requirements were adequate.

C. Budget implementation and monitoring

Budget implementation was monitored on an ongoing basis but there was a need to review accuracy and completeness of expenditures charged against cost centres and commitment items

20. The Finance and Budget Manual requires managers to monitor actual expenditures and commitments against budgets, and provide status of their outputs and progress towards expected accomplishments and results. Umoja is designed to record expenditure against cost centres, internal orders or work breakdown structures, which allows managers to monitor expenditure against budgets including for programmatic activities.

21. During 2016/17, the Director of Mission Support, the Finance and Budget Section and self-accounting units used standard Umoja Enterprise Core Component (ECC) to monitor, in real time, actual expenditure and commitments of funds against appropriations to ensure effective management of the implementation of the budgets. The Finance and Budget Section performed more detailed analysis of transactions at the cost centre level to support senior management decisions and ensure that budget owners did not exceed allotted budgets, as appropriate. The self-accounting units also used standard reports in Umoja for data analysis on actual goods and services purchased against budgets and costing sheets. Issues such as changes brought about, for example, by new requirements such as redeployment of resources to new hotspots (e.g., Kasai provinces in 2016/17) were addressed through redeployments of funds following senior management approval and in accordance with the Controller's delegation of authority to the Mission.

22. However, a review of actual expenditure in Umoja against budgets and costing sheets for 25 accounts, cost centres and programmatic activities such as disarmament demobilization, repatriation, reinsertion and reintegration (DDR/RR), justice support, correctional services and quick-impact projects indicated that MONUSCO did not adequately record all the expenditures to relevant cost centres, internal orders or work breakdown structures. For example, for 2016/17, MONUSCO only recorded expenditures of \$2.7 million to the DDR/RR cost centres, against a total appropriated budget of \$13 million. Additional DDR/RR-related expenditures incurred by various self-accounting units such as engineering, life support (rations), medical, ground transport, aviation and movement control in support of the DDR/RR programme were charged to the budgets of the cost centres of the respective self-accounting units instead.

23. This occurred because MONUSCO had not: (a) implemented procedures to utilize various tools available in Umoja to record programmatic expenditure; and (b) adequately trained self-accounting units to charge programmatic expenditure against specific cost centres, internal orders or work breakdown structures.

24. Also, since it was not yet supported in Umoja, budget formulation was a manual process based on structures from the legacy budget information system and peacekeeping costing sheets that were based on the purpose of expenditure whereas budget implementation (expenditure) was to be recorded in Umoja based on the nature of the expenditure. Hence, the two structures were not aligned resulting in some misalignments in the recording of expenditures against the corresponding budget commitment item groups. For example, the whole \$13 million budget for DDR/RR was appropriated to "other supplies, services and equipment" commitment item group rather than being split into the respective support self-accounting units responsible for delivery. The Peacekeeping Finance Division (PFD) explained that it had changed the costing sheets for the 2018/19 budget submissions to reflect changes required to align the budget formulation and expenditure.

25. As a result, actual expenditure related to programmatic activities could not easily be ascertained, making monitoring of programmatic expenditures inefficient and unreliable.

(1) MONUSCO should strengthen review procedures of expenditures charged against programmatic activities by producing regular reports for review by programme managers.

MONUSCO accepted recommendation 1 and stated that it had requested PFD for support on building the required reports which would provide expenditures related to programmatic activities. Recommendation 1 remains open pending receipt of evidence that MONUSCO effectively monitors its expenditure for programmatic activities through the production and review of regular expenditure reports for programme costs.

MONUSCO complied with the conditions to redeploy funds

26. The United Nations Controller's delegation of authority to the Director of Mission Support requires the Mission to redeploy funds only when the following conditions are met: (a) the authorized strength of military and police personnel cannot be exceeded; (b) the staffing table for civilian personnel must be respected; (c) funds allocated to quick-impact projects cannot be increased without prior approval from the Director of PFD; and (d) redeployment of funds from field cost centres to headquarters cost centres for Missions must be approved by PFD.

27. Analysis of all redeployment transactions for the period from 1 July 2015 to 30 April 2017 and a detailed review of supporting documents for 30 out of 183 redeployments totaling \$60 million indicated that: (a) all the transactions were approved in accordance with the Mission's delegated authority; (b) there were no increases to quick-impact project funds; (c) all redeployment of funds from field cost centres to headquarters cost centres were approved by PFD; and (d) the Mission did not exceed the authorized strength of the military and police personnel and respected the civilian staffing table. Redeployments were mainly related to: official travel (\$2 million in 2016/17); and information and communications technology (\$2.1 million in 2016/17) that were fully utilized. Other reasons for the redeployments included the following:

- To support projects such as road construction, information and communications technology infrastructure and solar panels in excess of the original plans, but deemed essential to support operations to: protect civilians in new hotspots such as the Kasai provinces; enhance the resilience and performance of information and communications technologies; provide harmonized communication for the military and police, and to protect the environment;
- Redeployments between headquarters and field cost centres for reimbursements to troop-contributing countries that were not budgeted, for example, ammunition, as future events that precipitated them could not be foreseen;
- To cover increased costs for national staff brought about by the nationalization of posts to build national capacity as necessitated by subsequent staffing reviews by the Field Personnel Division of the DFS, and an increase in the remuneration for national staff; and
- Housekeeping especially year-end adjustments as instructed by PFD, and to compensate for budget shortfalls created by automatic system allocation of certain expenditure to specific default accounts. For example, sea containers were charged to an account under the "naval transportation commitment item group" while the budget and appropriation was under the group "other supplies, services and equipment/freight".

28. OIOS concluded that MONUSCO had put in place adequate measures to comply with the conditions of the United Nations Controller’s delegation of authority to redeploy funds.

Variances were monitored and explained by available data in Umoja and other reports

29. The Advisory Committee on Administrative and Budgetary Questions (ACABQ) requires MONUSCO to explain and justify significant variances across the commitment item groups in its budget performance reports within the three components: (a) military and police; (b) civilian personnel; and (c) operational costs. ACABQ uses this and other information to produce the annual budget performance report and makes recommendations, as appropriate, to the Mission and the General Assembly for improved budget formulation and financial management.

30. A review of the variances reported in the budget performance reports for 2014/15 and 2015/16, and expenditure reports against the 2016/17 budget, analysis of expenditures for goods and services acquired for 25 accounts for operational costs, and redeployments for 2015/16 and 2016/17 indicated variances in some items as summarized in Table 2.

Table 2
Variance between appropriation and expenditure by commitment group (in \$’000)

	2015/16				2016/17			
	Appropriation	Expenditure	Variance		Appropriation	Expenditure	Variance	
National staff	99 335.1	108 742.6	9 407.5	9.5%	102 760.8	111,271.3	8 510.5	8.3%
Official travel	8 234.7	9 414.6	1 179.9	14.3%	6 310.0	10,042.4	3 732.4	59.2%
Facilities and infrastructure	83 355.9	98 379.1	15 023.2	18.0%	53 495.6	58 234.5	4 738.9	8.9%
Air transportation	188 292.1	169 193.8	(19 098.3)	10.1%	171 760.9	172 658.1	897.2	0.5%
Communications	23 995.1	24 416.0	420.8	1.8%	21 628.6	26 739.7	5 111.1	23.6%
Information technology	18 244.9	28 004.5	9 759.6	53.5%	15 409.1	15 325.6	(83.5)	(0.5%)
Medical	2 270.8	3 339.5	1 068.6	47.1%	2 211.5	2 281.1	69.6	3.1%

31. The significant variances were due to: (a) increase in remuneration of national staff in Uganda; (b) increased requirement for official travel for supply chain management and delivery of goods by road from Entebbe to the east of the country; (c) investment in communications and information technology for resilience and improved performance, following the destruction of the data centre in Goma; and (d) additional requirements for facilities and infrastructure to implement the force transformation and to enhance security. The 2017/18 budget estimates included the remuneration of national staff at current rates and a reduced investment in communications and information technology due to the finalization of the upgrades of the information technology infrastructure. MONUSCO provided explanations and justifications in the budget performance reports that were based on analysis of data in Umoja and other sources. MONUSCO used the Umoja reports and analysed transactions to monitor budget implementation and related variances.

32. OIOS concluded that MONUSCO had adequate and effective controls over the monitoring of variances and used available information in Umoja and other supporting documents to explain them.

IV. ACKNOWLEDGEMENT

33. OIOS wishes to express its appreciation to the management and staff of MONUSCO 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 the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	MONUSCO should strengthen review procedures of expenditures charged against programmatic activities by producing regular reports for review by programme managers	Important	O	Receipt of evidence that MONUSCO effectively monitors its expenditure for programmatic activities through the production and review of regular expenditure reports for programme 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 MONUSCO in response to recommendations.

APPENDIX I

Management Response



MONUSCO

Mission de l'Organisation des Nations Unies
pour la Stabilisation en République
démocratique du Congo

United Nations Organisation Stabilization
Mission in the Democratic Republic of Congo

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INTEROFFICE MEMORANDUM

04 December 2017
Ref. ODMS/17/OM/04984

To: Mr. Arnold Valdez, Officer-in-Charge
Peacekeeping Audit Services
Internal Audit Division, OIOS

From: Paul Buades
Acting Director of Mission Support
MONUSCO

Subject: Management Response to Draft Audit Report on audit of budget formulation and monitoring in MONUSCO (Assignment No. AP2017/620/11)

1. Thank you for your interoffice memorandum reference IAD: 17-34 dated 01 December 2017, requesting the Mission to provide comments on the recommendation in the draft audit report on budget formulation and monitoring in MONUSCO.
2. Attached please find Appendix I - Management Response, for your consideration. Supporting documents will be provided to the Resident Audit Team.

Best regards.

Cc Mr. Maman Sambo Sidikou, Special Representative of the Secretary-General
Mr. David Gressly, DSRSG, Rule of Law and Operations, MONUSCO
Ms. Safia Boly, Deputy Director of Mission Support, MONUSCO
Ms. Sabina Colpa, Officer-in-Charge, Finance and Budget Section, MONUSCO
Mr. Daniel Maier, Officer-in-Charge, Strategic Planning Cell, MONUSCO
Ms. Kerry Zillner, Audit Focal Point, MONUSCO
Mr. James Okwakol, Chief Resident Auditor, MONUSCO, Internal Audit Division, OIOS
Ms. Cynthia Avena-Castillo, Professional Practices Section, Internal Audit Division, OIOS

Attachment: Appendix I - Management Response

Peace it!

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Management Response

**Audit of budget formulation and monitoring in the
United Nations Organization Stabilization Mission in the Democratic Republic of the Congo**

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	MONUSCO should strengthen review procedures of expenditures charged against programmatic activities by producing regular reports for review by programme managers.	Important	Yes	OiC Budget and Finance	30 June 2018	MONUSCO concurs with the recommendation and has already requested the Peacekeeping Finance Division for support on building the required reports which will provide expenditures related to the programme activities.

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.