



INTERNAL AUDIT DIVISION

REPORT 2016/069

Audit of management of the Office of the United Nations Special Coordinator for Lebanon

Overall results relating to the effective management of the Office's operations were initially assessed as partially satisfactory. Implementation of seven important recommendations remains in progress

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

13 June 2016
Assignment No. AP2015/673/01

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AUDIT REPORT

Audit of management of the Office of the United Nations Special Coordinator for Lebanon

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of management of the Office of the United Nations Special Coordinator for Lebanon (UNSCOL).
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. The Special Coordinator for Lebanon is the Secretary-General's representative to the Lebanese authorities, all political parties and the diplomatic community based in the country to assist Lebanon to reach peaceful and consensus-based solutions on contentious issues. UNSCOL is also responsible for coordinating the work of the United Nations system in Lebanon.
4. UNSCOL, headed by a Special Coordinator at the Under-Secretary-General level, had 81 authorized posts comprising 21 international and 60 national staff. The approved budget for UNSCOL was \$17.1 million for the biennium 2014-2015, out of which \$14 million was staffing costs.
5. Comments provided by UNSCOL are incorporated in italics.

II. OBJECTIVE AND SCOPE

6. The audit was conducted to assess the adequacy and effectiveness of UNSCOL governance, risk management and control processes in providing reasonable assurance regarding the **effective management of UNSCOL operations**.
7. The audit was included in the 2015 risk-based audit work plan of OIOS due to operational, financial and security risks relating to the management of UNSCOL operations.
8. The key controls tested for the audit were: (a) programme management; (b) regulatory framework; and (c) security management systems. For the purpose of this audit, OIOS defined these key controls as follows:
 - (a) **Programme management** - controls that provide reasonable assurance that there are adequate measures in place to plan, implement and report on the operations of UNSCOL;
 - (b) **Regulatory framework** - controls that provide reasonable assurance that policies and procedures: (i) exist to guide UNSCOL operations; (ii) are implemented effectively; and (iii) ensure the reliability and integrity of financial and operational information; and
 - (c) **Security management systems** - controls that provide reasonable assurance that the UNSCOL security management system is commensurate with the safety and security risks facing the Office.

9. The key controls were assessed for the control objectives shown in Table 1. One control objective (shown in Table 1 as “Not assessed”) was not relevant to the scope defined for this audit.

10. OIOS conducted this audit from November 2015 to January 2016. The audit covered: (i) the activities of political affairs, coordination and public information divisions; (ii) security operations; and (iii) the administrative functions for the period from 1 January to 31 December 2015.

11. 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 and analytical reviews, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness. The audit did not review UNSCOL procurement activities, which are under the responsibility of the United Nations Interim Force in Lebanon (UNIFIL).

III. AUDIT RESULTS

12. The UNIFIL governance, risk management and control processes examined were initially assessed as **partially satisfactory**¹ in providing reasonable assurance regarding the **effective management of UNSCOL operations**. OIOS made seven recommendations to address the issues identified. UNSCOL developed work plans for substantive programme activities and regularly monitored progress of implementation. UNSCOL adequately processed staff entitlements and ensured effective management of fuel, contracts, vehicle fleet and assets. However, UNSCOL needed to: (i) improve its monitoring of staff overtime hours and compliance with established recruitment procedures; (ii) conduct drills to test emergency preparedness; (iii) implement measures to increase staff response to radio checks; and (iv) improve weapons control.

13. The initial overall rating was based on the assessment of key controls presented in Table 1. The final overall rating is **partially satisfactory** as implementation of seven important recommendations remains in progress.

Table 1: Assessment of key controls

Business objective	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of UNSCOL operations	(a) Programme management	Satisfactory	Satisfactory	Not assessed	Satisfactory
	(b) Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
	(c) Security management systems	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

¹ A rating of “**partially satisfactory**” means that important (but not critical or pervasive) deficiencies exist in government, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

A. Programme management

Work plans for substantive programme activities were properly developed and monitored

14. The results-based budgeting framework and the compact between the Secretary-General and the Special Coordinator requires UNSCOL to plan and monitor its activities to achieve expected accomplishments and programme objectives. The compact also requires UNSCOL to maintain a staff vacancy rate of less than 20 per cent.

15. A review of UNSCOL records showed that the Office established a work plan for all three substantive programme units which were well linked to the expected accomplishments in the Mission's results-based budget and the compact. Starting in June 2015, UNSCOL conducted quarterly reviews to monitor the progress of work plan implementation. OIOS concluded that UNSCOL had adequate controls over the development and monitoring of its work plans.

16. A review of staff vacancies indicated that UNSCOL had an overall vacancy rate of 11 per cent in December 2015. However, the vacancy rate in the Political Affairs and Coordination Unit was 23 per cent in December 2015. As the Mission started taking actions to expedite recruitments for the Unit, OIOS did not make a recommendation.

B. Regulatory framework

Recruitment of staff and consultants needed improvement

17. The recruitment of staff and consultants in UNSCOL is governed by various policies and administrative instructions including Staff Rules and Staff Regulations of the United Nations (ST/SGB/2014/1) and administrative instructions on: (a) staff selection system (ST/AI/2010/3 and amendments); (b) temporary appointments (ST/AI/2010/4 Rev.1); and (c) consultants and individual contractors (ST/AI/2013/4).

18. OIOS review of 5 of 13 recruitment and consultancy cases during the audit period (3 of 10 recruitments, one of two temporary appointments and the only consultancy contract) indicated the following results.

(a) Reference checks of candidates needed improvement

19. United Nations Staff Rules and Regulations require UNSCOL to issue vacancy announcements for all recruitments and conduct reference checks and verification of work experience of candidates prior to appointment. The Department of Field Support (DFS) also requires UNSCOL to refer to guidelines issued by the Department of Management to determine a selected candidate's step within grade upon recruitment. Further, the administrative instruction on temporary appointments stated that a temporary vacancy announcement could be issued pending completion of regular recruitment action. This is to ensure that temporary recruitments are not used to fill needs that are expected to continue for one year or more.

20. In one recruitment case involving an internal local candidate, UNSCOL appointed the incumbent prior to completing reference checks. The Mission also did not identify that the work experience information the candidate presented, i.e. name of employer and date of employment, was different from the work experience the candidate had claimed to have when applying for his previous UNSCOL post.

Further, UNSCOL appointed the candidate at step 6 within the grade as opposed to step 4, as required by the guidelines issued by the Department of Management.

21. For the temporary appointment reviewed, UNSCOL conducted reference checks of the candidate prior to issuing the temporary vacancy announcement. UNSCOL did not issue the required regular vacancy announcement but extended the temporary appointment to 728 days. UNSCOL started the regular recruitment process only in December 2015 after the candidate had failed the test for the rostering process.

(b) Potential conflict of interest resulting from staff members being engaged in outside activities

22. The United Nations Staff Rules and Regulations require staff members not to engage in outside activities or employment, unless approved by the Secretary-General.

23. In one recruitment case for a national security officer's post, the Mission administration appointed a candidate three months prior to his resignation from employment with local authorities. DFS and the hiring manager raised concerns of conflict of interest due to the outside employment activities of the staff member. The UNSCOL Administrative Officer incorrectly considered that the dual employment of the candidate did not constitute a conflict of interest based on the officer's statement that he was on leave without pay from the local authorities for the three months. Following the staff member's resignation, he became a reservist for the local authorities that obliged him to return immediately to duty when summoned. OIOS follow-up with the Chief Security Officer indicated that additional 22 locally-recruited security officers in UNSCOL were reservists for the local authorities.

24. The above resulted as the Mission's recruitment procedures did not require locally recruited staff to disclose their reservist status and obligation resulting in a potential conflict of interest. In addition, the Mission's security operations could be negatively impacted if these 23 security officers were called for reservist duty.

(c) Recruitment of consultant needed improvement

25. The administrative instruction on consultants and individual contractors requires UNSCOL to issue terms of reference, conduct thorough reference checks and verify work experience prior to hiring consultants. The administrative instruction also requires UNSCOL to evaluate the quality and timeliness of consultants' output as stipulated in the terms of reference prior to final payment.

26. For the consultancy case reviewed, UNSCOL only completed the required reference checks after the consultant came onboard. Also, UNSCOL selected the consultant who was less qualified than the other two candidates under consideration although DFS had pointed out this during the recruitment process. Further, a comparison between the required outputs in the terms of reference and the deliverables showed that the submission by the consultant were incomplete and late. UNSCOL however did not reflect this in the performance evaluation report and made the final payment.

27. The above lapses resulted because the Mission was not sufficiently stringent in observance of the established procedures. This impacted on the competitiveness of the recruitment process and assurance that UNSCOL had selected the most qualified applicants for positions.

(1) UNSCOL should take appropriate measures on the reservist obligations of its national staff to prevent conflict of interest and staff shortage in the Mission's security operations.

UNSCOL accepted recommendation 1 and stated that the Mission would request the host

government to exempt national staff from their reservist obligation while in United Nations employment. The Mission would also issue a broadcast to all staff to remind them of the Staff Rules and Regulations and the administrative instructions on outside activities. Recommendation 1 remains open pending receipt of a copy of the request to the host country and the interoffice memorandum to staff to remind them not to engage in outside activities without prior approval from the Secretary-General.

(2) UNSCOL should, in consultation with DFS, identify lessons learned to strengthen controls on: (i) the conduct of reference checks; (ii) the administration of temporary appointments; and (iii) the recruitment of international consultants.

UNSCOL accepted recommendation 2 and stated that the Mission would initiate dialogue with DFS to identify lessons learned and strengthen controls on human resources management. Recommendation 2 remains open pending receipt of the results of the lessons learned exercise and measures taken to strengthen controls over recruitment.

Planning and monitoring of overtime hours needed improvement

28. The administrative instruction on overtime compensation for staff members in the field service category (ST/AI/2000/3) requires advance authorization of overtime work. The administrative instruction also requires a limit of 40 hours of: (a) overtime work each month in the interest of staff members' health and welfare; and (b) compensatory time-off (CTO) to be granted. The Human Resources Unit is required to conduct a CTO review three times a year and not to grant carry-over of CTO credits of more than 40 hours beyond a four-month period. Also, the Staff Rules and Regulations state that night differential shall not be paid for the same overtime work where CTO is granted.

29. A review of UNSCOL records for 6,205 CTO hours from 1 January to 31 December 2015 showed that the Human Resources Unit reviewed CTO balances three times a year as required. However, OIOS identified that:

- For the sampled months of January and May 2015, there were 83 cases where security officers claimed 275 more CTO hours than what was recorded on their daily attendance sheets and operations reports;
- For 123 days, security officers took approved CTO even though other officers were on leave or training, instead of taking CTO when there were sufficient officers on duty. This led to the assignment of close protection officers to take up the tasks of the Guard Force Unit for a total of 120 hours and an additional 29 CTO being accrued for the months of January and May 2015;
- The Guard Force Unit were claiming 0.5 hour of CTO per person per shift on a daily basis to collect and return weapons and uniforms before and after shift hours although there was no written policy in place that allows these activities be included as part of working hours. This practice resulted in a total of 1,629 CTO hours in 2015; and
- For 977 of 3,257 CTO claims by the Guard Force Unit, staff claimed both CTO and night differential for the same hours of overtime worked.

30. The above resulted because of inadequate shift management and planning and monitoring by the Security Section and Human Resources Unit of the accrual and usage of CTO hours. This resulted in granting of excess CTO to staff impacting on work efficiency and financial loss to the Organization.

(3) UNSCOL should: (i) conduct a comprehensive review of compensatory time-off balances and make necessary corrections; and (ii) establish procedures to plan and monitor the accrual and usage of compensatory time-off hours and ensure adequate shift management in the Security Section.

UNSCOL accepted recommendation 3 and stated that it had commenced the review of CTO balances and would make the necessary corrections. It had initiated the recovery of the overpayment of night differential from 27 staff in April 2016. In addition, UNSCOL would establish procedures to plan and monitor the accrual and usage of CTO hours and would disseminate the new procedures to managers and staff by August 2016. Recommendation 3 remains open pending receipt of: (i) the results of the review of night differential payments and CTO balances of staff and corrections made; and (ii) the new procedures established to plan and monitor CTO hours and shift management in the Security Section.

Training was provided to staff on conducting performance evaluations relating to vendors performance

31. The United Nations Procurement Manual requires UNSCOL to develop performance indicators to evaluate contractual obligations regarding quality of goods and services, delivery timelines and payment terms and to monitor vendors' performance. The Manual requires UNSCOL to appraise vendors' performance at the end of the contract or prior to contract extension; for contracts exceeding \$200,000 or those with duration of two years or more, performance should be evaluated annually.

32. A review of 4 out of 19 active contracts indicated that UNSCOL developed performance indicators but evaluated the performance of only 3 of them. The fourth contract, a six-year lease agreement for Mission headquarters with a total value of \$2.9 million, had not been evaluated because the concerned staff was not familiar with the vendor performance evaluation process for contracts exceeding \$200,000 or two-year contract term. UNSCOL subsequently trained the concerned staff on the requirements and the performance evaluation was completed. OIOS therefore did not make a recommendation on this issue.

Controls over staff entitlements, official travels, vehicle and fuel were adequate

33. UNSCOL is required to process staff entitlements such as assignment grant, relocation grant and rental subsidies and travels for official duties, home leave, education grant, repatriation, initial appointment and temporary duty assignments in accordance with the respective administrative instructions. A review of 13 (31 per cent) of the 43 cases of staff entitlements and 17 (17 per cent) of 101 official travels during the audit period showed that UNSCOL processed these transactions in accordance with established procedures.

34. The United Nations Transport Surface Manual requires UNSCOL to: regularly maintain its fleet; install the carlog electronic vehicle fleet management system in all vehicles; recover cost of private travels using official vehicles (known as liberty travels); and monitor unauthorized use of official vehicles and speeding offences. A review of carlog records for 3 of 12 months in 2015 showed that UNSCOL abided by the required procedures for its vehicle fleet management.

35. The Memorandum of Understanding between UNIFIL and UNSCOL requires UNSCOL to verify invoices submitted by the UNIFIL vendor for fuel delivered to UNSCOL vehicles and generators and

reimburse UNIFIL on a cost recovery basis. A review of fuel invoices for 3 of 12 months in 2015 showed that UNSCOL accurately verified fuel quantities billed against fuel consumption reports for vehicles and delivery receipts for generators.

36. OIOS concluded controls over the processing of staff entitlements and the management of vehicle fleet and fuel were adequate and working effectively.

C. Security management systems

[REDACTED]

IV. ACKNOWLEDGEMENT

48. OIOS wishes to express its appreciation to the Management and staff of UNSCOL 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 management of the Office of the United Nations Special Coordinator for Lebanon

Recom. no.	Recommendation	Critical ² / Important ³	C/ O ⁴	Actions needed to close recommendation	Implementation date ⁵
1	UNSCOL should take appropriate measures on the reservist obligations of its national staff to prevent conflict of interest and staff shortage in the Mission's security operations.	Important	O	Submission of a copy of the request to the host country to exempt national staff from their reservist obligation while in United Nations employment and the interoffice memorandum to staff to remind them not to engage in outside activities without prior approval from the Secretary-General.	31 December 2016
2	UNSCOL should, in consultation with Department of Field Support, identify lessons learned to strength controls on: (i) the conduct of reference checks; (ii) the administration of temporary appointments; and (iii) the recruitment of international consultants.	Important	O	Submission of the results of the lessons learned exercise and measures taken to strengthen controls on human resource recruitment.	31 December 2016
3	UNSCOL should: (i) conduct a comprehensive review of compensatory time-off balances and make necessary corrections; and (ii) establish procedures to plan and monitor the accrual and usage of compensatory time-off hours and ensure adequate shift management in the Security Section.	Important	O	Submission of: (i) results of the review of night differential payments and CTO balances of staff and the corrections made; and (ii) the new procedures established to plan and monitor CTO hours and shift management in the Security Section.	(i) 30 September 2016 (ii) 31 August 2016

² 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.

³ 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.

⁴ C = closed, O = open

⁵ Date provided by UNSCOL in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Audit of management of the Office of the United Nations Special Coordinator for Lebanon

Recom. no.	Recommendation	Critical ² / Important ³	C/ O ⁴	Actions needed to close recommendation	Implementation date ⁵
1	for non-response. [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

APPENDIX I

Management Response

UNITED NATIONS

**Office of the Special Coordinator
for Lebanon**



NATIONS UNIES

**Bureau du Coordinateur Spécial
pour le Liban**

I N T E R O F F I C E M E M O R A N D U M

Date: 3 June 2016

To : Ms. Muriette Lawrence-Hume,
Chief, New York Audit Service
Internal Audit Division, OIOS

From : Sigrid Kaag,
United Nations Special Coordinator for Lebanon

**Subject : Draft report on the audit of the Office of the United Nations Special Coordinator for Lebanon
(Assignment No. AP2015/673/01)**

1. I refer to your memorandum on an audit of the management of the Office of the United Nations Special Coordinator for Lebanon dated 12 May 2016. Please find attached UNSCOL's response (Appendix 1) to the recommendations in the draft audit report.
2. Following the usual procedure, copies of supporting documents on the implementation of recommendations will be provided separately to the OIOS Middle East Regional Audit Office at UNIFIL headquarters.
3. I take the opportunity to thank the auditors for a professional, constructive and collaborative process which has been of positive benefit to the Mission.

With best regards.

cc: Ms. Eleanor T. Burns, Director, Internal Audit Division, OIOS
Ms. Cynthia Avena-Castillo, Professional Practices Section, Internal Audit Division, OIOS
Mr. Alexander Costy, Chief of Staff, UNSCOL
Mr. Fatos Abrashi, OIC Administration and Audit Focal Point, UNSCOL

Management Response

Audit of the Office of the United Nations Special Coordinator for Lebanon

no.	Recommendation	Critical/ Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNSCOL should take appropriate measures on the reservist obligations of its national staff to prevent conflict of interest and staff shortage in the Mission's security operation.	Important	Yes	Administrative Officer Human Resources Officer	31 December 2016	UNSCOL will send a letter to the host government to exempt the reservist obligation of the national staff while in United Nations employment as in accordance with Article V, Section 18(c) of the convention on Privileges and Immunities of the United Nations. Copies to be shared with Auditors. Furthermore, UNSCOL will issue a broadcast to all staff to remind them of the regulations and rules on Outside Activities (ST/AI/2000/13).
2	UNSCOL should, in consultation with Department of Field Support, identify lessons learned to strengthen controls on: (i) the conduct of reference checks; (ii) the administration of temporary appointments; and (iii) the recruitment of international consultants.	Important	Yes	Human Resources Officer	31 December 2016	UNSCOL will initiate a dialog with the Field Personnel Division of the Department of Field Support to identify lessons learned and strengthen controls on human resources management.
3	UNSCOL should: (i) conduct a comprehensive review of compensatory time-off balances and make necessary corrections; and (ii) establish procedures to plan and monitor the accrual and usage of compensatory time-off hours and	Important	Yes	Human Resources Officer Chief Security Officer	(i) 30 September 2016 (ii) 31 August 2016	UNSCOL is reviewing compensatory time-off balances in and will make the necessary corrections by September 2016. UNSCOL has also initiated the recovery of the overpayment of night differential

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 the Office of the United Nations Special Coordinator for Lebanon

no.	Recommendation	Critical/ Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	ensure adequate shift management in the Security Section.					<p>from 27 staff in April 2016.</p> <p>UNSCOL will establish procedures to plan and monitor the accrual and usage of compensatory time-off hours and will disseminate the new procedures to managers and staff by August 2016.</p>

Management Response

Audit of the Office of the United Nations Special Coordinator for Lebanon

no.	Recommendation	Critical/ Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						
7						