



INTERNAL AUDIT DIVISION

REPORT 2017/136

Audit of finance and human resources management in the United Nations Disengagement Observer Force

The Mission needed to enhance budget monitoring and review the use of a general temporary assistance post and extensions given to temporary duty assignments

12 December 2017
Assignment No. AP2017/670/01

Audit of finance and human resources management in the United Nations Disengagement Observer Force

EXECUTIVE SUMMARY

The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over finance and human resources management in the United Nations Disengagement Observer Force (UNDOF). The audit covered the period from July 2015 to May 2017 and it included a review of imprest/petty cash management, clearance and closure of accounts at month and year-end, budget monitoring, post management and recruitment, and processing of staff entitlements.

UNDOF implemented adequate controls over cash accounts but the management of staff accounts receivable and payable needed improvement. There was a high volume of budget redeployments, which were adequately justified except for significant overspending of travel and freight costs. The Mission processed staff recruitments and entitlements in accordance with required procedures and kept vacancy rates low. However, a staff post, funded from general temporary assistance, was not utilized for the approved purpose and three cases of temporary duty assignments were extended beyond the limit of three months.

OIOS made five recommendations. To address issues identified in the audit, UNDOF needed to:

- Develop and implement procedures for the submission of month-end packages to the Controller and treatment of accounts receivable due from staff;
- Properly assess and budget for freight charges corresponding to the anticipated level of goods to be transported to reduce unbudgeted freight expenses;
- Establish measures to prevent overspending of travel expenses, including the utilization of the fund availability check function in Umoja;
- Provide guidance and training to fund centers to strengthen budget monitoring at the general ledger and fund center level; and
- Seek the approval of the Department of Field Support on the use of a general temporary assistance post and extensions of temporary duty assignments beyond three months, and appropriate delegation of authority to process these exceptions, if required.

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

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Audit of finance and human resources management in the United Nations Disengagement Observer Force

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of finance and human resources management in the United Nations Disengagement Observer Force (UNDOF).
2. UNDOF, headquartered at Camp Ziouani in the Golan Heights (A-side) and operating administrative offices in Syria (B-side), has an authorized military strength of 1,250 and 139 civilian staff comprising 51 international and 88 national staff. The Mission recently deployed 100 military personnel to Camp Faouar in B-side, which had been evacuated in September 2014. Thirty-three international and 75 national staff are currently stationed in B-side and 18 international and 13 national staff in A-side.
3. The Mission's financial management is governed by the Financial Regulations and Rules (FRR), the International Public Sector Accounting Standards (IPSAS), the Field Finance Procedure Guidelines (FFPG) of the Department of Peacekeeping Operations/Department of Field Service (DPKO/DFS), instructions from the United Nations Controller and guidance materials for Umoja. The Mission's human resources management is governed by the Staff Regulations and Rules and various administrative instructions and information circulars.
4. The approved budgets for the financial years 2015/16 and 2016/17 were \$51.7 million and \$47.7 million respectively. In addition, in March 2017, the General Assembly exceptionally approved a supplementary budget totaling \$8.8 million transferred from the provisions authorized for the year 2017/18 to use in the financial year 2016/17 for the Mission's return to Camp Faouar. The Finance and Budget Management Section (FBMS), headed by a Chief at the P-4 level, comprises 11 staff including 6 staff stationed in Damascus. The approved staffing cost for the Section is \$1.2 million. The Human Resources Management Section, headed by a Chief at the P-4 level, comprises eight staff including seven staff stationed in Damascus. The approved staffing cost for the Section is \$1.5 million.
5. Comments provided by UNDOF are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

6. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over finance and human resources management in UNDOF.
7. This audit was included in the 2017 risk-based work plan of OIOS due to the financial and operational risks in managing finance and human resources.
8. OIOS conducted this audit in May 2017. The audit covered the period from July 2015 to May 2017. Based on an activity-level risk assessment, the audit covered higher and medium risk areas in the management of finance and human resources, which included: (a) imprest/petty cash management; (b) clearance and closure of accounts at month- and year-end; (c) budget monitoring; (d) post management and recruitment; and (e) processing of staff entitlements.
9. The audit methodology included: (a) interviews of key personnel; (b) review of relevant documentation; (c) analytical review of data; and (d) sample testing of financial transactions and staff entitlements.

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

III. AUDIT RESULTS

A. Finance and budget management

Umoja roles were properly implemented

11. FRR requires that certifying and approving functions are designated by the Controller and clearly separated. The Umoja Role Guide lists the roles to execute specific types of transactions in Umoja and requires UNDOF to set up those roles accordingly. A review of all UNDOF user roles assigned in Umoja indicated that the Mission properly set up Umoja roles as required.

Controls over imprest/petty cash accounts were effective

12. UNDOF, as approved by the Controller, had imprest accounts of \$20,000 and \$5,000 and three and five petty cash accounts at the A and B-sides respectively. The custodians properly maintained and submitted accounts reconciling the balances to physical cash held, to the Chief Finance Officer monthly or when requesting a replenishment as required by FFPG. FBMS frequently counted and reconciled petty cash and imprest account balances. UNDOF replenished petty cash and imprest accounts in accordance with established procedures, including proper certification and approval. A review of 216 out of 2,471 petty cash transactions and 60 out of 1,050 imprest account transactions showed that all were properly supported by documentation and charged to appropriate general ledger accounts. All reviewed petty cash transactions were under \$350, as required by FFPG. OIOS concluded that the controls over petty cash and imprest accounts were effective.

Month- and year-end closing were conducted but accounting for accounts receivable from staff needed improvement

13. Closing Instructions for the IPSAS Financial Statements for Peacekeeping Operations and Umoja Month-End Manual require UNDOF to submit a package of financial information consisting of account balances and supporting documents to the Controller at the end of each month and the financial year. Monthly reconciliations for bank accounts and cash positions are required by a staff member whose duty does not include payment processing. Closing Instructions also require UNDOF to clear Open Item Managed accounts, such as receivables and payables, as necessary.

14. A review of the year-end closing package for financial year 2015/16 indicated that the Mission conducted year-end closing activities and reporting as instructed. The Mission adequately reconciled cash and bank accounts and timely submitted month-end packages to the Controller. Although the packages reported account balances, they did not include supporting documents and the signature of the Chief Finance Officer confirming accuracy and accountability for the package.

15. The Mission had balances of \$2.4 million and \$368,143 in accounts receivable and payable respectively as at 1 May 2017. The Mission reviewed all Open Item Managed accounts and timely cleared balances, thus, there were no long outstanding items. However, education grant advances to staff totaling \$160,000, which should have been recorded as accounts receivable, were recorded as account payables with negative balances. Also, outstanding balances from eight staff members for telephone and vehicle liberty charges totaling \$300 were recorded as payables with negative balances. Although FBMS corrected the

treatment of these balances during the preparation of financial statements at the month- and year-end, they resulted in unnecessary adjusting entries and possibility of errors.

16. These lapses occurred because the Mission did not establish adequate procedures to review month-end packages before submission to the Controller.

(1) UNDOF should develop and implement adequate procedures for the submission of month-end packages to the Controller and treatment of accounts receivable due from staff.

UNDOF accepted recommendation 1 and stated that it had recently developed and implemented adequate procedures for the submission of month-end packages to the Controller. Recommendation 1 remains open pending receipt and review of the procedures and a recent month-end package submitted to the Controller.

Budget variances and redeployments were justified except for travel and freight costs

17. The Controller delegated authority to the Chief of Mission Support to redeploy funds within three groups of expenditures, Military (Group I), Civilian personnel (Group II) and Operational costs (Group III). Redeployments between these three Groups require prior approval of the Controller. The Advisory Committee on Administrative and Budgetary Questions 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 proper control.

18. In the financial years 2015/16 and 2016/17, UNDOF redeployed \$6.4 million and \$3.6 million respectively from Group I to III, and \$6 million and \$6.7 million within Groups. These redeployments were approved as required, and justified as needed to reinstate and fortify Camp Faouar and various UNDOF positions, except for travel and freight costs. Table 1 shows the budget, expenditures and overspending of travel and freight costs.

Table 1: Travel and freight costs (in \$'000)

	Apportionment		Expenditures		Variance			
					Amount		Percentage	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
Freight	535	710	1,030	1,215	495	505	92%	71%
Travel	408	761	774	816	366	54	90%	7%

Source: Umoja Business Intelligence as at 1 June 2017

19. The overspending of freight costs by \$495,000 and \$505,000 or 92 and 71 per cent in financial years 2015/16 and 2016/17, respectively was because the Mission did not properly estimate freight charges during the budget formulation process, based on the quantity of goods to be transported, historical cost data and delivery patterns from nearby ports.

20. The Mission decreased the overspending of travel costs from \$366,000 or 90 per cent in financial year 2015/16 to \$54,000 or 7 per cent in financial year 2016/17. This decrease was attributed to measures that the Mission started implementing, such as the review by the Chief of Mission Support of travel requests prior to certification. The Mission also started guiding its personnel to use more economical modes for travel between the A and B-sides. However, more needed to be done to prevent overspending of travel costs at the fund center level, as the Mission had not yet implemented an effective monitoring mechanism for allocating the travel budget at the general ledger level to each fund center in Umoja and for utilizing the fund availability check function.

21. Further challenges to budget monitoring were caused by the fact that the budget proposal was made at the Group, class, subclass, general ledger and fund center level, while subsequent allotments in Umoja were provided only at class and subclass levels. Therefore, there was no Umoja function available to monitor expenditures against the budget at the general ledger level by fund centers. Although there were no major variances at the general ledger and fund center levels, except for freight and travel costs, the Mission was exposed to the risk of unexpected cost variances before the upcoming implementation of Umoja budget module.

22. UNDOF had not provided effective guidance and tools to its fund centers to monitor their budgets. A survey of staff at fund centers indicated that they were using various methods for budget monitoring, including Excel spreadsheets and individual Umoja Business Intelligence (BI) and Enterprise Core Component (ECC) reports. These methods were not entirely reliable and at times provided incomplete information. The most effective monitoring method was to review both BI and ECC reports against the budget book (the approved budget at the general ledger level by fund centers).

23. As a result of inadequate budget monitoring, the Mission could not carry out several operational activities, including acquisition of communications equipment, whose budget provisions were used to cover for the overspending of travel and freight costs.

(2) UNDOF should take appropriate steps to properly assess and budget for freight charges corresponding to the anticipated level of goods to be transported to reduce unbudgeted freight expenses.

UNDOF accepted recommendation 2 and stated that it always endeavored to assess requirements as accurately as possible in its budget formulation. However, long lead times and the changing operational and security environment made it difficult to limit budget variances. Recommendation 2 remains open pending receipt of evidence of the steps taken to improve budgeting for freight charges.

(3) UNDOF should establish measures to prevent overspending of travel expenses. Such measures should include the allocation of travel allotments to each fund center and the utilization of the funds availability check function in Umoja.

UNDOF accepted recommendation 3 and stated that it had established rigid internal controls over travel expenditure, requiring an approval of the Chief of Mission Support for all travels. In addition, the Mission started to allocate travel allotment to each fund center from the start of fiscal year 2017/18. Recommendation 3 remains open pending receipt of evidence of additional measures implemented to reduce travel, as well as a report showing travel expenses have been reduced to a more comparable level to the budget at the end of fiscal year 2017/18.

(4) UNDOF should provide guidance and training to staff at fund centers to strengthen budget monitoring at the general ledger level. This training should include consolidating information from Umoja Enterprise Core Component and Business Intelligence reports to ensure comprehensive reviews.

UNDOF accepted recommendation 4 and stated that FBMS had provided budget training and would conduct more training. Recommendation 4 remains open pending receipt of evidence of training conducted on budget monitoring at general ledger level by FBMS.

B. Human resources management

Controls over general temporary assistance and temporary duty assignments needed improvement

24. The results-based budget of UNDOF for the financial year 2016/17 established the expected rate of staff vacancy to be less than 5 per cent. The Controller instructed missions to use the staffing resources for the approved purposes and justify changes in the staffing establishment. FFPG and instructions from DFS limit temporary duty assignment (TDY) to three months.

25. The Mission's rate of staff vacancy was 3.6 per cent as at 1 March 2017, which the Mission achieved after a civilian staffing review leading to the abolishment of 20 posts.

26. UNDOF had 10 staff posts provided from general temporary assistance (GTA). These posts were justified as needed due to the prevailing security situation and requirement to liaise with local governments for security and logistical arrangements. Two of the 10 posts were vacant and currently under recruitment. However, the staff encumbering one of the eight remaining posts (post number 4718 for a military liaison officer at the P-4 level) was performing the functions of an administrative officer. In addition, UNDOF had seven staff members from other missions on TDY, three of whom had been deployed to UNDOF for six months with the concurrence of the staff members' missions.

27. UNDOF stated that the above happened to meet the staffing needs for the unpredictable situation in the Mission areas. However, the Mission did not have the required delegated authority from DFS to change the approved functions of the GTA post and extend TDY arrangements. The Mission's proposed budget for the financial year 2017/18 still indicated the title of the GTA post number 4718 as a military liaison officer. As a result, staffing resources for the GTA post number 4718 and three TDY deployments were not used for the purpose for which they were approved.

(5) UNDOF should seek from DFS: (i) approval of its use of general temporary assistance (GTA) post number 4718 and of extensions of temporary duty assignments (TDY) beyond three months; and (ii) appropriate delegation of authority to change the approved functions of GTA posts and extend TDY arrangements beyond three months, if these exceptions were still required.

UNDOF accepted recommendation 5 and stated that it would seek guidance on whether DFS approval was required to change the authorized functions of the GTA post and would obtain approval from DFS for extensions of TDY beyond three months. Recommendation 5 remains open pending notification of receipt of approval from DFS of the mentioned GTA and TDY posts and relevant delegation of authority, if required.

Controls over staff recruitment and hiring individual contractors were adequate

28. The administrative instruction on the staff selection system (ST/AI/2010/3) requires vacancy announcement for each job opening, evaluation of proposed candidates and adequate recording of the evaluation. The administrative instruction on individual contractors (ST/AI/2013/4) states that missions can hire individual contractors only when the required services cannot be met from within the current staff resources owing to a lack of specialized expertise or capacity and the services performed clearly relate to the programme or mandated activities. The instruction requires technical evaluation of at least three candidates before selection and proper justification when considering less than three candidates in exceptional circumstances. Missions are required to assess and certify satisfactory completion of services prior to payments.

29. A review of all 11 recruitments during the audit period (consisting recruitments of four new staff and promotions of seven national staff) indicated that in all cases the Mission met the required procedures. Notably, the Mission recruited two female candidates from the four recruitments, corresponding to the gender parity policy of the Organization. UNDOF hired 63 individual contracts during the audit period with total expenditures amounting to \$786,000. Most of the contractors were hired to provide engineering and transport services in Camp Ziouani. This was justified, as there was increased demand of services for the reinforcement of various positions and after unexpected relocation from Camp Faouar to Camp Ziouani. A review of 5 out of the 63 cases with the total expenditures of \$115,000 indicated that in 3 cases, the Mission complied with the administrative instruction. In two cases, the Mission considered only one candidate. However, this was justified due to special requirements of establishing an armoured vehicle workshop in Camp Ziouani, after relocation from Camp Faouar, while Syrian national transport staff were unable to transfer to Camp Ziouani. As such, OIOS did not make a recommendation.

Controls over mandatory trainings were adequate

30. The information circular on the United Nations mandatory learning programmes (ST/IC/2017/17) indicates eight mandatory trainings for all staff members. As at 30 April 2017, all Mission staff had undertaken 5 trainings, but only 45, 33 and 7 had completed the training on information security awareness, HIV/AIDS in the workplace orientation programme and I know gender, respectively, which had been recently introduced. UNDOF initiated relevant actions and had a mechanism to monitor staff members' compliance with training requirements. Therefore, OIOS did not make a recommendation on this issue.

Controls over salary payments and entitlements were adequate

31. Various guidelines govern the eligibility and processing of staff entitlements to rest and recuperation (R&R) break every four weeks for A-side and eight weeks for B-side, settling-in grant, home leave and danger pay payable only to staff deployed at the B-side. Table 2 shows the sample size of entitlements reviewed and the results.

Table 2: Population and sample sizes (in \$'000) of staff entitlements

	Population		Sample		Percentage		Conclusion
	Amount \$'000	Number	Amount \$'000	Number	Amount	Number	
R&R*	32	73	2	8	6%	10%	No exception
Settling-in grant	200	15	155	10	77%	66%	No exception
Home leave	211	80	12	6	6%	8%	No exception
Danger pay	1,294	22 months	195	3 months	15%	13%	No exception

Source: Umoja Enterprise Core Component as at 1 May 2017

32. As of October 2016, staff salaries were processed in Umoja, requiring missions to maintain accurate data to ensure that salaries were paid only to its current employees. In view of the security situation in Syria, all international staff in B-side were residing in accommodation provided by the Mission. Therefore, rent was deducted from staff members' salary in line with the administrative instruction on rental subsidies and deductions (ST/AI/2013/2/Rev.1) and Fax 1-2015-6298 from United Nations Headquarters. Rental deduction was adjusted for shared accommodation. A comparison of the current staffing table and payroll data showed that salaries were paid only to current staff. Appropriate adjustment was made for one staff member on special leave without pay between December 2016 and March 2017. For another staff member, different sequence of first, middle and last name was shown in the staffing table and payroll data. The Mission was taking steps to rectify this. A review of all rental deductions during the audit period showed that the correct amount was deducted from salaries of all international staff stationed in B-side.

33. OIOS concluded controls over processing of salaries and staff entitlements were effective.

V. ACKNOWLEDGEMENT

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

(Signed) Eleanor T. Burns
Director, Internal Audit Division
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STATUS OF AUDIT RECOMMENDATIONS

Audit of finance and human resources management in the United Nations Disengagement Observer Force

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UNDOF should develop and implement adequate procedures for the submission of month-end packages to the Controller and treatment of accounts receivable due from staff.	Important	O	Receipt and review of approved procedures for the submission of month-end packages to the Controller.	30 June 2017
2	UNDOF should take appropriate steps to properly assess and budget for freight charges corresponding to the anticipated level of goods to be transported to reduce unbudgeted freight expenses.	Important	O	Receipt of evidence of the steps taken to improve budgeting for freight charges.	31 August 2017
3	UNDOF should establish measures to prevent overspending of travel expenses. Such measures should include the allocation of travel allotments to each fund center and the utilization of the funds availability check function in Umoja.	Important	O	Receipt of evidence of additional measures implemented to reduce overspending of travel, as well as a report showing travel expenses have been reduced to a more comparable level to the budget at the end of fiscal year 2017/18.	31 July 2017
4	UNDOF should provide guidance and training to staff at fund centers to strengthen budget monitoring at the general ledger level. This training should include consolidating information from Umoja Enterprise Core Component and Business Intelligence reports to ensure comprehensive reviews.	Important	O	Receipt of evidence of training conducted on budget monitoring at general ledger level by FBMS.	28 February 2018
5	UNDOF should seek from DFS: (i) approval of its use of general temporary assistance (GTA) post number 4718 and of extensions of temporary duty assignments (TDY) beyond three months; and (ii) appropriate delegation of authority to change the	Important	O	Notification of receipt of approval from DFS of the mentioned GTA and TDY posts and relevant delegation of authority, if required.	30 November 2017

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 UNDOF in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Audit of finance and human resources management in the United Nations Disengagement Observer Force

Rec. no.	Recommendation	Critical/ Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
	approved functions of GTA posts and extend TDY arrangements beyond three months, if these exceptions were still required.				

APPENDIX I

Management Response

Management Response

Audit of finance and human resources management in the United Nations Disengagement Observer Force

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNDOF should develop and implement adequate procedures for the submission of month-end packages to the Controller and treatment of accounts receivable due from staff.	Important	Y	CFBO	June 2017	As recommended by OIOS and Accounts Division, UNDOF has developed and implemented adequate procedures for the submission of month-end packages to the Controller since June 2017.
2	UNDOF should take appropriate steps to properly assess and budget for freight charges corresponding to the anticipated level of goods to be transported to reduce unbudgeted freight expenses.	Important	Y	CFBO	August 2017	UNDOF always endeavors to assess its estimated requirement as accurately as possible in formulating its budget requirement. Owing to long lead time and constantly changing operating and security environment, it is very difficult to achieve desired expenditure vis-à-vis budget estimate.
3	UNDOF should establish measures to prevent overspending of travel expenses. Such measures should include the allocation of travel allotments to each fund center and the utilization of the funds availability check function in the Umoja system.	Important	Y	CFBO	July 2017	UNDOF has established strict rigid internal control on travel expenditure whereas all travels must be approved by CMS. UNDOF started to allocate travel allotment to each fund center in July 2017.
4	UNDOF should provide guidance and training to staff at fund centers to strengthen budget monitoring at the general ledger level. This training should include consolidating information from Umoja Enterprise Core Component and Business	Important	Y	CFBO	February 2018	Finance and Budget Section has provided budget training in the past and will conduct budget training again.

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 finance and human resources management in the United Nations Disengagement Observer Force

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	Intelligence reports to ensure comprehensive reviews.					
5	UNDOF should seek from the Department of Field Support: (i) approval of its use of general temporary assistance (GTA) post number 4718 and of extensions of temporary duty assignments (TDY) beyond three months; and (ii) appropriate delegation of authority to change the approved functions of GTA posts and extend TDY arrangements beyond three months, if these exceptions are still required.	Important	Y	CHRO	November 2017	<ol style="list-style-type: none"> 1. UNDOF will seek guidance from HQ if the change in approved functions of GTA post is required. 2. UNDOF will seek approval from HQ in case extension of TDY is required beyond three months.