



## INTERNAL AUDIT DIVISION

### REPORT 2017/139

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Audit of budget formulation and monitoring in the United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic

MINUSCA needed to enhance budget forecasting, coordinate the budget formulation and implementation of programmatic activities, implement internal review mechanisms for budget submissions and regularly monitor expenditure levels

13 December 2017  
Assignment No. AP2017/637/05

# **Audit of budget formulation and monitoring in the United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic**

## **EXECUTIVE SUMMARY**

The Office of Internal Oversight Services (OIOS) conducted an audit of budget formulation and monitoring in the United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic (MINUSCA). 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 MINUSCA. The audit covered the period from 1 July 2015 to 30 June 2017 and included an assessment of the Mission results-based budget (RBB) activities in the areas of budget formulation, budget implementation and monitoring, and performance reporting.

MINUSCA aligned its RBB with its strategic objectives and the Mission's mandate, based on reasonable planning assumptions, and had established a Budget Steering Committee and produced periodic expenditure reports. However, MINUSCA needed to enhance the accuracy of budget forecasting, coordinate the preparation of budget estimates and planning and implementation of programmatic activities, and review budget submissions and monitor expenditure levels.

OIOS made seven recommendations. To address issues identified in the audit, MINUSCA needed to:

- Ensure budget submissions from substantive and support sections for aggregation are supported by detailed costing sheets providing justification for budgeted assets;
- Enhance the coordination of programmatic activities at the planning and implementation stages;
- Ensure that substantive and support sections consider all relevant factors such as past expenditures and recurring resource requirements in making budget projections and submissions to the Finance and Budget Section;
- Ensure loaning of posts is justified by operational necessity and review and take appropriate action to regularize needed posts or abolish loaned posts not needed;
- Enhance monitoring of actual expenditures and take corrective actions for recurring over-expenditures;
- Ensure that expenditure reports and all supporting financial documentations are submitted to the Finance Unit for uploading in Umoja upon completion of a programmatic activity in order to clear cash advances given to staff; and
- Implement a reporting platform or tool to ensure that substantive sections systematically collect, analyze and maintain their portfolio of evidence, and a monitoring mechanism to verify the accuracy and completeness of reported actual indicators of achievement and outputs.

MINUSCA accepted the recommendations, implemented three of them and has initiated action to implement the remaining four.

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# **Audit of budget formulation and monitoring in the United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic**

## **I. BACKGROUND**

1. The Office of Internal Oversight Services (OIOS) conducted an audit of budget formulation and monitoring in the United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic (MINUSCA).
2. MINUSCA established a Budget Steering Committee, chaired by the Special Representative of the Secretary-General (SRSG) in July 2015 to: (a) guide and steer the budgeting process; (b) review, deliberate and decide on the Mission's budget proposal, including priority setting, structure, staffing changes and operational requirements; and (c) make decisions on the allocation and reallocation of funds for programmatic activities, including funding from extra-budgetary resources.
3. The MINUSCA Finance and Budget Section and the Strategic Planning Unit were responsible for formulating the Mission's results-based budget (RBB) in accordance with the United Nations Controller's instructions and Departments of Peacekeeping Operations and Field Support (DPKO/DFS) guidelines. These responsibilities include: (a) providing guidance in developing the Mission's overall planning assumptions; (b) providing technical guidance to self-accounting units on RBB methodologies, standards, policies and timelines of the budget process; (c) preparing the Mission's annual budget and performance reports; (d) coordinating budget submissions with substantive and mission support sections as well as counterparts at the Field Budget and Financing Division (FBFD) of DFS; and (e) advising the Director of Mission Support (DMS) and senior management on all aspects of budgetary control, implementation, monitoring and reporting.
4. The Finance and Budget Section was headed by a Chief Finance and Budget Officer at the P-5 level who reported to the DMS and was supported by a team of 19 staff members including 13 international staff and 6 national staff. A Chief Strategic Planning Unit (CSPU) at the P-5 level, who reported to the Chief of Staff, headed the Strategic Planning Unit. One international staff and one international United Nations volunteer supported the CSPU.
5. For the budget year 2016/17, MINUSCA had authorized personnel levels of 169 military observers, 10,581 military contingent personnel, 400 United Nations police, 1,680 formed police units, 40 government-provided personnel and 1,724 civilian staff posts (738 international and 684 national posts, 238 United Nations volunteer positions, and 52 international and 12 national temporary assistance positions).
6. The Mission had expenditures of: (a) \$826 million against approved budget of \$840 million in fiscal year 2015/16 (98.4 per cent); and (b) \$867 million against approved budget of \$921 million in fiscal year 2016/17 (94.2 per cent). For fiscal year 2017/18, the Mission had an approved budget of \$883 million, representing a reduction of \$38 million from the previous year's budget.
7. Comments provided by MINUSCA 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 MINUSCA.
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 and utilize resources in alignment with strategic priorities.
10. OIOS conducted this audit from May to July 2017. The audit covered expenditures for the 2015/16 budget year, appropriations and expenditures for the 2016/17 budget year and cost estimates for the 2017/18 budget year. Based on an activity-level risk assessment, the audit covered higher and medium risks areas in budget formulation and monitoring, including: (a) budget formulation; (b) budget implementation and monitoring; and (c) performance reporting.
11. The audit methodology included: (a) interviews of key personnel in MINUSCA; (b) review of relevant documentation; (c) review of transactions and documentations in Umoja; and (d) analytical review of data.
12. The audit was conducted in accordance with the standards for the professional practice of internal auditing issued by the Institute of Internal Auditors.

## **III. AUDIT RESULTS**

### **A. Budget formulation**

#### Budgets were generally aligned with the Mission's mandate and strategic objectives

13. General Assembly resolution 70/286 on cross-cutting issues requires MINUSCA to link its RBB framework to its mandate.
14. MINUSCA had developed a mission concept that was approved by the SRSG on 28 December 2016 and included the three-year vision and strategic priorities of the SRSG, which were aligned with the Mission's mandate. The 2017/18 RBB framework for MINUSCA divided the Mission's activities into three substantive components and one support component as follows: (a) protection of civilians and human rights; (b) support to the political process and reconciliation; (c) restoration and extension of state authority; and (d) support. Expected accomplishments, planned indicators of achievement and outputs were adequately linked to the Mission's mandate and strategic priorities contained in its mission concept.
15. OIOS concluded that the Mission budgets were adequately aligned with the mandate set out by relevant Security Council resolutions, DPKO strategic guidance, DFS budget guidelines and the Mission's priorities.

#### Planning assumptions were realistic and reflected the future operating environment of the Mission

16. The United Nations Controller's instructions for the budget performance report for 2015/16 and the proposed budget for 2017/18 (Controller's instructions) require the Mission to outline planning assumptions about future operating environment as they relate to mandate implementation, Mission priorities, use of resources and linkage to current operational requirements.

17. Planning assumptions for the MINUSCA 2015/16, 2016/17 and 2017/18 budgets were based on the following conditions: (a) an elected government of the Central African Republic with minimal capacity to respond to the needs of the population; (b) security conditions permitting the uninterrupted movement of staff and the deployment of operational resources; and (c) goods and services would be delivered as contracted, and were adequately linked with strategic priorities, used to formulate the Mission's requirements and adjusted, as needed, to reflect the current operating environment.

18. For budget years 2015/16, 2016/17 and 2017/18, the Mission's military resource requirements estimated at \$297 million, \$345 million and \$371 million respectively, and the police resource requirements estimated at \$59 million, \$74 million and \$74 million respectively, were consistent with their authorized deployment strength. Resource requirements were also consistent with the troop reimbursement rates approved by General Assembly resolution 68/281.

19. OIOS concluded that MINUSCA planning assumptions were reasonable and reflected the operating environment of the Mission

The Mission needed to enhance coordination during the budgeting process to fairly reflect requirements of sections/units

20. The DFS budget guidelines require MINUSCA to establish a process during budget formulation to account for the views and needs of substantive and support sections within the Mission and fund centre managers at United Nations Headquarters. The United Nations Procurement Manual stipulates that requisitioners are responsible for developing acquisition plans in cooperation with the Mission Acquisition Planning Section. Accordingly, requisitioners and the Planning Unit (within the Acquisition Planning Section) must begin to communicate with each other early in the planning process, while maintaining their separate roles. Due to a long lead time in the procurement process, forward planning is a key factor in optimizing the acquisition of goods and services.

21. The Mission's budget and acquisition planning documents indicated the following deficiencies:

- Individual Mission support sections did not prepare their respective acquisition plans in 2015/16 and 2016/17. Also, the Planning Unit within the Acquisition Planning Section, responsible for coordinating the development of the Mission's comprehensive acquisition plan with individual sections, was not staffed, despite the Unit being allocated four authorized posts in the 2016/17 budget. In the absence of a Planning Unit, the development of the plan was assigned to the Requisitions Unit within the Acquisition Planning Section, which was responsible for raising shopping carts for other individual sections. The Unit used approved costing sheets of the support sections to prepare their respective annual acquisition plans.
- Some Mission support sections included requirements in their costing sheets, without providing clear justification. For example in the 2017/18 budget: (a) the Engineering Section was unable to provide justification to support its request for the acquisition of assets amounting to \$6.5 million, including prefabricated residential buildings; and (b) the Transport Unit was unable to justify how 40 vehicles, planned to be transferred to MINUSCA in 2017/18 was determined.
- In 2015/16, the Transport Unit purchased three graders (construction equipment) each costing about \$150,000 but had only utilized one of them. The other two were not used.
- For Mission substantive sections, there was inadequate consultation and coordination among them when planning their programmatic activities and RBB outputs. For example, the

Disarmament, Demobilization and Reintegration Section and Youth-at-Risk Unit undertook similar community-based programmatic activities. The CSPU indicated that although policy guidance on coordination of plans existed, the Mission was in the process of drafting guidance on implementing programmatic activities.

- The budget allocated to substantive sections for the 2016/17 budget period was not always based on the planned activities of the sections but rather on implementation rates in the previous year. However, in some cases, implementation had been poor due to the security situation. Despite an improvement in the security situation in 2016/17, programmatic funds were reduced irrespective of planned activities.

22. The above resulted because the Mission did not: (a) establish a functional Planning Unit within the Acquisition Planning Section to adequately coordinate with other sections to determine the timing of their procurement activities; (b) adequately assess the requirements for equipment in its budget proposals; and (c) adequately coordinate requirements for programmatic activities for substantive sections. These resulted in: (a) potential loss of economies of scale; (b) funds requested to purchase assets not being utilized; and (c) frequent redeployments to fund programmatic activities.

**(1) MINUSCA should establish a Planning Unit within the Acquisition Planning Section with responsibilities to ensure that the procurement of Mission requirements is adequately coordinated and planned and budget costing sheets provide adequate justification for budgeted assets.**

*MINUSCA accepted recommendation 1 and stated that a Planning Unit composed of one P-4, one FS-5 and one FS-4 personnel had been established within the Acquisition Planning Section. The P-4 and FS-5 were on board, while the FS-4 was under recruitment. Based on the action taken by MINUSCA, recommendation 1 has been closed.*

**(2) MINUSCA should take action to enhance the coordination of programmatic activities at the budget planning and implementation stages.**

*MINUSCA accepted recommendation 2 and stated that it had established and held introductory meetings of a programmatic funds sub-committee of the Budget Steering Committee to better coordinate the planning and implementation of programmatic activities. Based on the action taken by MINUSCA, recommendation 2 has been closed.*

Accuracy of budget forecasting needed to be improved

23. The Controller's instructions require MINUSCA to improve the accuracy of budget forecasting by reducing the level of variances between appropriation and expenditure in classes or sub-classes of expenditure.

24. The Mission's expenditure reports extracted from Umoja showed that: (a) MINUSCA incurred expenditures of \$826 million against total appropriation of \$840 million, with an unencumbered balance of \$13.6 million in 2015/16; and (b) as of 30 June 2017, the Mission incurred expenditures of \$867 million against total appropriation of \$921 million, with an unencumbered balance of \$53.6 million in 2016/17. The Mission advised that:

- The unencumbered balance of \$13.6 million in the 2015/16 budget year reflected the impact of: (a) lower operational costs resulting from the pursuit of temporary accommodations in

lieu of planned construction of permanent structures; and (b) lower requirements for petrol, oil and lubricants; and

- As of 30 June 2017, the unencumbered balance of \$53.6 million in the 2016/17 budget year reflected: (a) lower requirements for United Nations police and formed police units; (b) cancellations and delays in the implementation of engineering projects, construction of medical clinics and recruitment of medical personnel; (c) delayed deployment of the unmanned aerial systems and one attack helicopter; and (d) fewer acquisitions of information technology equipment.

25. For the budget periods 2015/16 and 2016/17, there were also significant under- and over-expenditures in 20 classes and 121 sub-classes of expenditures. For example:

- The medical class of expenditure was under-spent by 64 per cent and 83 per cent in the 2015/16 and 2016/17 budget years, respectively. Likewise, the facilities and infrastructure class of expenditures was under-spent by 32 per cent and 29 per cent in the 2015/16 and 2016/17 budget years, respectively; and
- Official travel was over-spent by 52 per cent and 19 per cent in the 2015/16 and 2016/17 budget years, respectively. Similarly, the consultant class of expenditure was over-spent by 145 per cent and 12 per cent in the 2015/16 and 2016/17 budget years, respectively.

26. The Chief Finance and Budget Officer indicated that the above resulted because budget assumptions were done more than 10 months prior to the start of the budget year which made it difficult to accurately forecast requirements especially in light of: (a) transitioning from a start-up mission to an established mission; (b) volatility of the security situation in the Central African Republic; and (c) deployment of Umoja clusters 4 and 5. These required constant changes to respond to the changing environment. While these considerations were valid, OIOS also noted the following deficiencies in formulating the budget:

- Lack of consideration of past expenditure levels. For example, low actual consumption pattern of petrol, oil and lubricants in 2014/15 was not taken into consideration in preparing the budget estimates for the same requirements in the 2015/16 budget year for the facilities and infrastructure and ground transportation classes of expenditure;
- Lack of budgetary provision for recurring requirements. For example, despite expenditures of \$8.8 million in 2015/16 and over \$5.9 million in 2016/17 for the provision of bottled water to contingent personnel due to lack of a water treatment plant, this requirement was not included in the 2017/18 budget submission.

27. The above resulted as MINUSCA did not develop and implement adequate internal review mechanisms to ensure that sections take into consideration all relevant factors such as past expenditure levels and recurring resource requirements in making budget projections in their costing sheets prior to consolidation and submission to the Peacekeeping Financing Division at United Nations Headquarters. Consequently, this resulted in: (a) frequent high value redeployments between groups and classes/sub-classes of expenditure; and (b) high levels of prior period obligations, including \$85.5 million open obligations as at 31 March 2017 for the 2015/16 budget year.

**(3) MINUSCA should develop and implement adequate internal review mechanisms to ensure that sections take into consideration all relevant factors such as past expenditure levels and recurring resource requirements in making budget projections.**

*MINUSCA accepted recommendation 3 and stated that the Finance and Budget Section had implemented internal review mechanisms to ensure that all relevant factors were taken into account in making budget projections. The Section was supporting and collaborating with the Acquisition Planning Section to conduct monthly reviews of acquisition plans with self-accounting units. Based on the action taken by MINUSCA, recommendation 3 has been closed.*

## **B. Budget implementation and monitoring**

There was a need to improve management of loaning of posts

28. The Finance and Budget Manual allows MINUSCA to redeploy posts within sections; but this should be justified by operational necessity to ensure immediate programme implementation. Furthermore, the DFS budget guidelines require MINUSCA to regularize all loaned post arrangements expected to last beyond one financial year.

29. The MINUSCA Post Management Unit's records indicated that the Mission had 70 loaned posts in 2015/16 and 133 loaned posts in 2016/17. However, the Mission did not maintain loan forms for: (a) 35 of 70 posts loaned in 2015/16; and (b) 74 of 133 posts loaned in 2016/17. Reviews of the approved loan forms indicated the following deficiencies:

- Two of the 35 recorded loan forms in 2015/16 and 5 of the 59 in 2016/17 did not contain any justification for undertaking the loan. Further, 11 of the 35 posts in 2015/16 and 5 of the 59 posts loaned in 2016/17 were not sufficiently justified by operational necessity. For example, the reasons indicated for loaning these posts included: (a) to accommodate staff affected by the downsizing of other missions; and (b) to make provision for staff whose posts were not included in the 2015/16 or 2016/17 budget periods;
- Nineteen posts had been on loan for more than one budget year, including: (a) 15 posts loaned between 14 and 19 months; and (b) 3 posts loaned between 24 and 31 months; and
- Of the 133 posts loaned in 2016/17, 24 had not been recorded in Umoja.

30. MINUSCA indicated that due to the restructuring of the Mission in line with new DPKO/DFS initiatives, new functions and existing posts were misaligned and hence the necessity to resolve the resulting issues through the loaning of posts. However, OIOS also noted that the above resulted because: (a) MINUSCA did not develop and implement adequate controls to monitor the loaning of posts to ensure that it was based on operational necessity; and (b) programme managers of borrowing sections did not submit all loan forms to the Post Management Unit within the Human Resource Section to ensure timely recording in Umoja. Not recording loaned posts in Umoja meant that those exceeding the required maximum period of one year could not be tracked and regularized; hence, negatively impacting the operations of the affected sections.

**(4) MINUSCA should develop and implement a monitoring mechanism to: (a) ensure that loaning of posts is done on an exceptional basis and justified by operational necessity; (b) review and take appropriate action to regularize needed posts or abolish loaned posts not needed; (c) discontinue the practice of using loaned posts to recruit staff for extended periods; and (d) ensure programme managers submit approved loan forms to the Post Management Unit so that all loaned posts are recorded in Umoja.**

*MINUSCA accepted recommendation 4 and stated that the loaning of posts was an ongoing issue since the start-up of the Mission. MINUSCA had since endeavoured to address this issue. An internal information bulletin had been sent to managers informing them of the importance of appropriate staffing management and procedures for loaning posts. The Human Resources Section organized a training session for managers on management of the staffing table and loans. At present, 52 loans had been recorded in Umoja and the Mission was endeavouring to accurately record all loans in Umoja. Recommendation 4 remains open pending receipt of confirmation that all loaned posts are recorded in Umoja and that action has been taken to regularize all loaned posts that have been ongoing for more than one year.*

There was a need to address continued high levels of redeployment of funds and effectively monitor expenditures

31. The Finance and Budget Manual requires MINUSCA to adequately justify all fund redeployments.

32. In 2015/16, the Mission made 73 fund redeployments totaling \$165 million, including: (a) 62 redeployments within the same group of expenditure totaling \$74.5 million; and (b) 11 redeployments across groups of expenditure totaling \$90 million. In 2016/17, the Mission made 44 fund redeployments totaling \$148 million, including (a) 35 redeployments within the same group of expenditure totaling \$54.9 million; and (b) 9 redeployments across groups of expenditure totaling \$93.2 million.

33. The Chief Finance and Budget Officer indicated that redeployments were necessary allotment maintenance actions, justified by operational necessity, many of which were required by the Peacekeeping Finance Division of the Office of Programme Planning Budget and Accounts. Although all redeployments were duly approved in Umoja, OIOS noted instances where fund redeployments were: (a) not adequately justified; (b) for recurring unbudgeted requirements of the Mission; and (c) made to reverse previous redeployments that were not actually needed. For example:

- Fifteen of the 73 redeployments in 2015/16 and 2 of the 44 redeployments in 2016/17 were not adequately justified as they were done to: (a) correct earlier errors made; (b) clear accounts with negative balances; (c) return funds taken from some class of expenditure; (d) cover shortfalls; (e) close outstanding obligations; and (f) allocate funds to a particular class of expenditure;
- The Mission used redeployments to fund recurring high value unbudgeted requirements such as the hard-wall accommodation construction project and financial agreements with a United Nations agency for the provision of food and non-food items to ex-combatants; and
- Finance and Budget Section personnel indicated that, for 2015/16, the redeployment of \$27 million and \$1 million made in September and October 2016 respectively, were made to reverse previous redeployments that were not actually needed.

34. The Mission also did not utilize \$65 million of the \$165 million of funds redeployed in 2015/16, and \$50 million of the \$148 million of funds redeployed in 2016/17. The Chief Finance and Budget Officer indicated that one of the reasons for the non-utilization of redeployed funds was the cancellation of shopping carts at the end of the budget year due to pending procurement cases with the Headquarters Committee on Contracts. However, OIOS also noted that large amount of funds was redeployed during the last month of the budget year making it difficult to fully utilize the funds before the end of the budget year. For example, \$56 million of the \$165 million redeployed in 2015/16 and \$69 million of the \$148 million redeployed in 2016/17 were made during the last month of the budget year.

35. The above resulted because the Mission did not have adequate monitoring mechanisms to fully monitor actual expenditures against appropriations and take timely corrective action in cases of overspending. For example, while the Finance and Budget Section produced and distributed to all sections periodic expenditure reports indicating the status of implementation by expenditure class, they did not highlight on these reports, expenditure levels for expenditure classes and sub-classes requiring immediate action by the Budget Steering Committee. There was a risk that redeployed funds may be used for unbudgeted purposes and may not be justified by operational necessity.

**(5) MINUSCA should develop and implement adequate mechanisms to enhance the monitoring of actual expenditure levels against appropriations and take corrective actions for recurring over-expenditures.**

*MINUSCA accepted recommendation 5 and stated that the Finance and Budget Section was routinely and regularly reviewing status of allotment with the issuance of weekly and monthly reports to inform section chiefs and senior management. Specific issues, including staffing budget shortfalls, had been addressed within the Budget Steering Committee and recommendations for corrective measures had been made to Mission senior leadership for endorsement. Recommendation 5 remains open pending receipt of evidence of endorsement of the corrective measures by the senior leadership and their implementation.*

There was a need to promptly monitor, account for programmatic funds and maintain proof of expenditure in Umoja

36. The United Nations Financial Regulations and Rules require MINUSCA personnel provided with cash advances for undertaking programmatic activities to account for the funds. The Mission's guidelines for administering cash advances require programme managers to submit expenditure reports within 10 days of completing the programmatic activity. The Controller's budget instructions for 2017/18 require 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.

37. MINUSCA used the prescribed template during the audit period to capture in Umoja detailed information on costs related to programmatic activities. However, an analysis of 275 of 541 programme transactions amounting to \$8 million recorded in Umoja in 2015/16 and 251 of 615 transactions amounting to \$9.4 million recorded in 2016/17 indicated the following weaknesses:

- Some 168 transactions totaling \$2.4 million in 2015/16 and 131 transactions totaling \$4.4 million in 2016/17 did not include invoices or receipts as proof of expenditure;
- Staff members requested and were provided with additional funds without submitting expenditure reports for funds already spent; and
- Expenditure reports and associated invoices/receipts were not always submitted within 10 days upon completion of the programmatic activity, with some expenditure reports submitted more than six months after the programmatic activity had been undertaken.

38. The above resulted because: (a) personnel in the Finance and Budget Section did not adequately review supporting documentation to ensure that all expenditures were accounted for; and (b) of inadequate procedures to ensure that staff members accounted for cash advances promptly at the end of the activity.

Consequently, there is an increased risk that cash advances are not used for intended purposes resulting in financial loss to the Organization.

**(6) MINUSCA should take action to ensure that (a) expenditure reports and supporting financial documentation are submitted to the Finance Unit for uploading in Umoja upon completion of a programmatic activity in order to clear cash advances given to staff; and (b) all supporting financial documentation for programmatic activities are uploaded in Umoja.**

*MINUSCA accepted recommendation 6 and stated that the Finance and Budget Section had developed standard operating procedures on cash advances to be approved and adopted by the Mission. The Section would ensure that all expenditure files were uploaded in Umoja, subject to file size limitations. A systematic and retrievable archival system was being implemented for large files. Recommendation 6 remains open pending receipt of a copy of the approved standard operating procedures and confirmation that all expenditure reports are either in Umoja, or where appropriate, filed systematically for easy retrieval.*

### **C. Performance reporting**

#### Portfolio of evidence needed to be maintained to support actual indicators of achievement and outputs

39. The Controller's instructions require actual outputs and indicators of achievement reported in the performance report of the MINUSCA RBB framework to be supported by a portfolio of evidence.

40. The Chief Finance and Budget Officer and CSPU jointly organized workshops to guide sections on how to prepare their cost estimates and the RBB logical framework. Sections were also reminded of their responsibility to maintain portfolio of evidence to support their actual indicators of achievement and outputs. However, only 1 of the 10 sections maintained a portfolio of evidence for 2015/16 and none of the sections had a portfolio of evidence for 2016/17. The Strategic Planning Unit did not review the reported outputs and indicators of achievements of various sections for accuracy and completeness. Further, the Unit did not verify whether sections were maintaining adequate portfolio of evidence as supporting documentation.

41. Although the Organization lacked a uniform reporting platform to collect, analyze and maintain the required portfolio of evidence, MINUSCA had started implementing a simple but effective reporting platform in the COSMOS content management system to ensure that substantive sections systematically collected, analyzed and maintained their portfolio of evidence. As regards the review of the accuracy and completeness of reported actual indicators of achievement and outputs, the CSPU indicated that inadequate staffing in the Unit precluded the Section from fully completing this task and monitoring the maintenance of portfolio of evidence by sections. As a result, there was no assurance that actual outputs and indicators of achievement reported by sections were accurate and complete or programmatic activities were undertaken.

**(7) MINUSCA should implement monitoring mechanisms to verify the accuracy and completeness of reported actual indicators of achievement and outputs.**

*MINUSCA accepted recommendation 7 and stated that it was implementing a simple but effective reporting platform and tool to ensure that substantive sections systematically collect, analyse and maintain information pertaining to indicators of achievement, outputs and portfolios of evidence that provide a monitoring mechanism to verify the accuracy and completeness of reported actual*

*indicators of achievement and outputs.* Recommendation 7 remains open pending confirmation that the reporting platform has been fully implemented and contains the portfolio of evidence to support reported actual indicators of achievement and outputs.

#### **IV. ACKNOWLEDGEMENT**

42. OIOS wishes to express its appreciation to the management and staff of MINUSCA 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 Multidimensional Integrated Stabilization Mission in the Central African Republic**

Rec. no.	Recommendation	Critical/ Important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
1	MINUSCA should establish a Planning Unit within the Acquisition Planning Section with responsibilities to ensure that the procurement of Mission requirements is adequately coordinated and planned and budget costing sheets provide adequate justification for budgeted assets.	Important	C	Action taken.	Implemented
2	MINUSCA should take action to enhance the coordination of programmatic activities at the budget planning and implementation stages.	Important	C	Action taken.	Implemented
3	MINUSCA should develop and implement adequate internal review mechanisms to ensure that sections take into consideration all relevant factors such as past expenditure levels and recurring resource requirements in making budget projections.	Important	C	Action taken.	Implemented
4	MINUSCA should develop and implement a monitoring mechanism to: (a) ensure that loaning of posts is done on an exceptional basis and justified by operational necessity; (b) review and take appropriate action to regularize needed posts or abolish loaned posts not needed; (c) discontinue the practice of using loaned posts to recruit staff for extended periods; and (d) ensure programme managers submit approved loan forms to the Post Management Unit so that all loaned posts are recorded in Umoja.	Important	O	Receipt of confirmation that all loaned posts are recorded in Umoja and that action has been taken to regularize all loaned posts that have been ongoing for more than one year.	31 December 2018

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> C = closed, O = open

<sup>4</sup> Date provided by MINUSCA in response to recommendations.

## STATUS OF AUDIT RECOMMENDATIONS

**Audit of budget formulation and monitoring in the  
United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic**

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
5	MINUSCA should develop and implement adequate mechanisms to enhance the monitoring of actual expenditure levels against appropriations and take corrective actions for recurring over-expenditures.	Important	O	Receipt of evidence of endorsement of the corrective measures by the senior leadership and their implementation.	30 June 2018
6	MINUSCA should take action to ensure that (a) expenditure reports and supporting financial documentation are submitted to the Finance Unit for up-loading in Umoja upon completion of a programmatic activity in order to clear cash advances given to staff; and (b) all supporting financial documentation for programmatic activities are uploaded in Umoja.	Important	O	Receipt of a copy of the approved standard operating procedures and confirmation that all expenditure reports are either in Umoja, or where appropriate, filed systematically for easy retrieval.	31 March 2018
7	MINUSCA should implement monitoring mechanisms to verify the accuracy and completeness of reported actual indicators of achievement and outputs.	Important	O	Confirmation that the reporting platform has been fully implemented and contains the portfolio of evidence to support reported actual indicators of achievement and outputs.	31 December 2018

# **APPENDIX I**

## **Management Response**

**United Nations**

United Nations Multidimensional Integrated  
Stabilization Mission in the Central African Republic



**MINUSCA**

**Nations Unies**

Mission Multidimensionnelle Intégrée des Nations Unies  
pour la Stabilisation en République centrafricaine

**INTEROFFICE MEMORANDUM**

**MEMORANDUM INTERIEUR**

TO: Mr. Arnold Valdez, Officer in Charge  
A: Peacekeeping Audit Service  
Internal Audit Division, OIOS

FROM: Parfait Onanga-Anyanga  
DE: Special Representative of the Secretary-General  
MINUSCA

DATE: 12 December 2017

REFERENCE: OSRSG/035/2017

SUBJECT: **Draft report of an audit of budget formulation and monitoring in the United Nations  
Multidimensional Integrated Stabilization Mission in the Central African Republic  
(Assignment No. AP2017/637/05)**

OBJET: **Draft report of an audit of budget formulation and monitoring in the United Nations  
Multidimensional Integrated Stabilization Mission in the Central African Republic  
(Assignment No. AP2017/637/05)**

1. With reference to the draft report on the above-mentioned report, MINUSCA welcomes this audit and acknowledges the need to enhance budget forecasting, coordinate the budget formulation of programmatic activities, implement internal review mechanisms for budget submissions and regularly monitor expenditure level.
2. Please see attached MINUSCA's comments to the recommendations stipulated in Appendix 1 for your consideration. As per your instructions, information regarding the titles of the individuals responsible for implementing the recommendations and an estimated implementation date is incorporated in the document.
3. MINUSCA has implemented the recommendations no. 1, 2 & 3 and supporting documents are provided as attachment (Appendix 2).

Attachments: 2

cc:

Ms. Barrie Freeman, Chief of Staff, MINUSCA  
Mr. Milan Trojanovic, Director of Mission Support, MINUSCA  
Mr. Xiaohai Shi, Chief Finance and Budget Section, MINUSCA  
Mr. Richard Glass, Chief Strategic Planning Unit, MINUSCA  
Ms. Zeneda Feratllari, Audit Focal Point, MINUSCA  
Ms. Eleanor T. Burns, Director, Internal Audit Division, OIOS  
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## Management Response

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Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	MINUSCA should establish a Planning Unit within the Acquisition Planning Section with responsibilities to ensure that the procurement of Mission requirements is adequately coordinated and planned and budget costing sheets provide adequate justification for budgeted assets.	Important	Yes	Chief Acquisition Planning Unit	Implemented	<p>A Planning Unit composed of 1-P4, 1-FS5, &amp; 1-FS4 has been established within the Acquisition Planning Section (APS). The P4 and the FS5 are onboard, while the FS-4 is under recruitment. The unit's main responsibilities include to ensure control and coordination over all acquisition planning related activities; to identify Mission requirements at an early stage; meet the mission's requirements through appropriate sourcing/procurement activities; and achieve economies of scale through consolidation and standardization of requirements.</p> <p>The unit uses the Umoja Business Intelligence (BI) reporting tool to retrieve and develop monthly statistical reports on acquisition documents created in Umoja (Shopping Carts, Purchase Orders, Service Entry Sheets, etc.), and subsequently analyzes the budget implementation rate for onward reporting to Senior Management.</p>

<sup>1</sup> 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.

<sup>2</sup> 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.

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2	MINUSCA should take action to enhance the coordination of programmatic activities at the budget planning and implementation stages.	Important	Yes	Senior Planning Officer	01 July 2017	The Mission has established and held introductory meetings of a Programmatic Funds Sub-Committee of the Budget Steering Committee to better coordinate the planning and implementation of programmatic activities. One of the key roles of the Sub-Committee is to ensure that funds spent are correctly monitored and that the reallocation of funds in-year is done fully in line with the expected accomplishments of the Mission and DPKO/DFS policy and guidelines.
3	MINUSCA should develop and implement adequate internal review mechanisms to ensure that sections take into consideration all relevant factors such as past expenditure levels and recurring resource requirements in making budget projections.	Important	Yes	Chief Finance and Budget Officer	Implemented	The MINUSCA Finance and Budget Section (FBS) has developed and implemented internal review mechanisms to ensure that all relevant factors are taken into account in making budget projections. As an initial step, FBS has included in the 2017/18 work plan of the Budget Unit the objective to “Improve accuracy and quality of information and data in Self Accounting Units”(SAUs) and specific activities and sub-activities. Secondly, FBS is supporting and collaborating with APS to conduct a monthly review of acquisition plans with SAUs; the first meeting took place on 27 November 2017; additionally, the 2018/19 budget has taken into account historical patterns and data, for example in staffing costs and fuel.

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4	MINUSCA should develop and implement a monitoring mechanism to: (a) ensure that loaning of posts is done on an exceptional basis and justified by operational necessity; (b) review and take appropriate action to regularize needed posts or abolish loaned posts not needed; (c) discontinue the practice of using loaned posts to recruit staff for extended periods; and (d) ensure programme managers submit approved loan forms to the Post Management Unit so that all loaned posts are recorded in Umoja.	Important	Yes	DMS/Chief Human Resource Officer	Ongoing	The Mission fully concurs with the recommendation to responsibly limit the use of loaned posts. The loaning of posts was an issue that was ongoing since the start-up of the Mission. The Mission has since endeavored to avoid this ongoing issue. An internal Information Bulletin has been sent to managers informing them on the importance of appropriate staffing management and procedures for loaning posts. Furthermore, Human Resources organized a training session for managers on staffing table management and the management of loans. At present, more than half of the 52 loans within the Mission are recorded in UMOJA, and the Mission endeavors to soon accurately record all loans in UMOJA.
5	MINUSCA should develop and implement adequate mechanisms to enhance the monitoring of actual expenditure levels against appropriations and take corrective actions for recurring over-expenditures	Important	Yes	Chief Finance and Budget Officer	Implemented	The FBS routinely and regularly reviews status of allotment with the issuance of weekly and monthly reports to inform section chiefs and senior management. FBS has also included specific issues, including staffing budget shortfalls in the Budget Steering Committee meeting and made recommendations for corrective measures for the endorsement of Mission senior leadership; CFBO also initiated a series of steps to address the budget shortfalls identified early in the

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						budget period through proactive monitoring, which included communicating with DFS and OPPBA on options and suggestions, proposing remedial measures to Mission senior management and drafting messages for the SRSG to use in a town hall with Mission personnel (copies of this correspondence are available upon request).
6	MINUSCA should take action to ensure that (a) expenditure reports and supporting financial documentation are submitted to the Finance Unit for up-loading in Umoja upon completion of a programmatic activity in order to clear cash advances given to staff; and (b) all supporting financial documentation for programmatic activities are uploaded in Umoja.	Important	Yes	Chief Finance and Budget Officer	31 March 2018	FBS has developed standard operating procedures (SOP) on cash advances and will provide a copy to OIOS once the SOP is approved and adopted within the Mission; FBS will establish an internal peer review mechanism to certify the implementation of the SOP. FBS will ensure that to the extent possible, all expenditure reports will be uploaded into Umoja, whereas the full files accompanying the expenditure reports cannot be duly uploaded due to large size (often over 100 pages) and paper quality. Instead, they are filed in a systematic manner for easy reference and retrieval. FBS will provide a list of all archived files for testing of file retrieval.
7	MINUSCA should implement monitoring mechanisms to verify the accuracy and completeness of reported actual indicators of achievement and outputs.	Important	Yes	Senior Planning Officer	10 October 2017 Ongoing	MINUSCA has developed and is now implementing a simple but effective reporting platform and tool to ensure that substantive sections systematically collect, analyze and

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						<p>maintain information pertaining to indicators of achievement, outputs and portfolios of evidence that provides a monitoring mechanism to verify the accuracy and completeness of reported actual indicators of achievement and outputs. Due to the lack of a software system provided by headquarters, this is being developed in-house in United Nations COSMOS (Microsoft SharePoint) and is currently being rolled out. The mission has put its RBB on this shared platform, and designed a database in which sections can update progress on their assigned outputs, and allowing senior management to better monitor budget implementation. Sections will also have the capacity to add activities against the outputs in order to facilitate more coordinated, integrated work planning. This COSMOS tool can be demonstrated within the United Nations environment. The RBB process was implemented in the United Nations in or around 2006. It is currently implemented across all DPKO Peacekeeping Missions.</p>
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