



INTERNAL AUDIT DIVISION

REPORT 2016/057

Audit of support services provided by the United Nations Truce Supervision Organization to the United Nations Special Coordinator for the Middle East Peace Process

Overall results relating to the effective management of support services were initially assessed as partially satisfactory. Implementation of one important recommendation remains in progress.

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

26 May 2016
Assignment No. AP2015/674/02

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AUDIT REPORT

Audit of support services provided by the United Nations Truce Supervision Organization to the United Nations Special Coordinator for the Middle East Peace Process

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of support services provided by the United Nations Truce Supervision Organization (UNTSO) to the United Nations Special Coordinator for the Middle East Peace Process (UNSCO).
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 Secretary-General's memorandum in October 2012 on the proposed budget for the biennium 2014-2015 and subsequent instructions by the Controller required Heads of Departments and Missions to identify ways to consolidate or reengineer support services to improve efficiency and reduce costs. Also, the Global Field Support Strategy of the Department of Field Support advocated shared services for support functions.
4. In May 2013 UNSCO and UNTSO, which are co-located in the Government House in Jerusalem, signed a letter of understanding listing the logistical and administrative support services to be provided by UNTSO to UNSCO. Also, the two Missions agreed to consolidate their support functions, except for human resources and budget management, by combining the posts of Chief of Mission Support of the two Missions and embedding six UNSCO staff into the reporting lines of UNTSO.
5. The approved budgets of UNTSO and UNSCO for the biennium 2014-2015 were \$73.5 million and \$17.3 million, respectively. UNTSO has total staff strength of 393 personnel, including 209 military observers. UNSCO has 66 staff posts for its operations in Jerusalem, Gaza and West Bank. Sixteen of these posts are support functions.
6. Comments provided by UNTSO and UNSCO are incorporated in italics.

II. OBJECTIVE AND SCOPE

7. The audit was conducted to assess the adequacy and effectiveness of UNTSO and UNSCO governance, risk management and control processes in providing reasonable assurance regarding the **effective management of support services provided by UNTSO to UNSCO**.
8. The audit was included in the 2015 risk-based work plan of OIOS because of the operational risks relating to UNTSO support for UNSCO mandate implementation.
9. The key control tested for this audit was regulatory framework. For the purpose of this audit, OIOS defined this key control as one that provides reasonable assurance that policies and procedures: (i) exist to guide the management of services provided by UNTSO to UNSCO; (ii) are implemented consistently; and (iii) ensure the reliability and integrity of financial and operational information.

10. The key control was assessed for the control objectives shown in Table 1.

11. OIOS conducted this audit in October and November 2015. The audit covered the period from January 2014 to August 2015. The audit was conducted at the UNTSO and UNSCO headquarters in Jerusalem.

12. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key control in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

III. AUDIT RESULTS

13. The UNTSO and UNSCO governance, risk management and control processes examined were initially assessed as **partially satisfactory**¹ in providing reasonable assurance regarding the **effective management of support services provided by UNTSO to UNSCO**. OIOS made one recommendation to address issues identified in the audit. The two Missions recently updated the letter of understanding on the provision of support services to UNSCO by UNTSO. The revised letter provides clear guidance on the further integration of the two Missions' support structures and enhances monitoring of the effective implementation of the letter. Staffing arrangements and reporting lines were adequately organized consolidating finance, communication and information technology service, transport and general service functions of the two Missions at Government House. However, UNTSO and UNSCO needed to take appropriate action on the Chief of Mission Support post of UNSCO that is no longer required.

14. The initial overall rating was based on the assessment of the key control presented in Table 1. The final overall rating is **partially satisfactory** as implementation of one important recommendation remains in progress.

Table 1: Assessment of key control

Business objective	Key control	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of support services provided by UNTSO to UNSCO	Regulatory framework	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 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.

Regulatory framework

The letter of understanding was renewed, providing clear guidance on the support strategy

15. The Missions were expected to ensure that the letter of understanding, which outlined the requirements for support services provided by UNTSO to UNSCO, is promptly renewed upon expiry.

16. At the time of the audit, the letter of understanding that was signed in May 2013 had expired in April 2015. Interviews with UNSCO managers indicated that there were no major challenges in the quality of the services provided by UNTSO. However, several staff expressed concern over the lack of clear guidance on the support strategy, including further consolidation of the support structure and change in staffing arrangements of the two Missions. To address some of these concerns, subsequent to the audit, the Heads of UNTSO and UNSCO signed a revised letter of understanding in February 2016. In light of the action taken, OIOS did not make a recommendation on this issue.

UNSCO needed to take action on its post of Chief of Mission Support

17. The letter of understanding states that six UNSCO support staff will be embedded in the reporting lines of the Office of the Mission Support of UNTSO to ensure adequate service delivery without duplication of human resources. The terms of reference for the Joint Chief of Mission Support approved by the Heads of UNTSO and UNSCO require the redeployment or abolishment of the post of the Chief of Mission Support of UNSCO.

18. A review of ePerformance reporting lines of the six UNSCO support staff and interviews with four of them indicated that the two Missions implemented adequate reporting arrangements. Also, a review of the staffing tables of the two Missions showed that UNSCO still maintained the post of Chief Mission Support at the P-5 level. UNSCO stated that this was to be ready to re-activate the post should UNSCO move to another location. However, UNSCO did not have a firm plan to relocate its headquarters. As the Mission was utilizing the post for substantive programme activities on a temporary basis, OIOS did not identify resource duplication in regard to the post of joint Chief Mission Support of UNTSO and UNSCO but the UNSCO post was not being used for the function approved by the General Assembly.

(1) UNSCO should take appropriate action to discontinue the post of Chief Mission Support as the Joint Chief Mission Support of UNTSO and UNSCO has assumed the related responsibilities.

UNTSO and UNSCO accepted recommendation 1 and stated that the post would be proposed for abolishment in the biennium 2018-2019. Recommendation 1 remains open pending receipt of a copy of budget submission for the biennium 2018-2019 proposing the abolishment of the post.

Expenditures for some services provided were not charged to UNSCO

19. For the goods and services that UNTSO procures on behalf of UNSCO, the letter of understanding requires: (a) accurate charge to UNSCO budget accounts and asset records; and (b) reimbursement of the costs of a general service staff post in UNSCO to UNTSO to support procurement services. The letter of understanding also lists reimbursement rates for services provided to UNSCO.

20. A review of 72 items totaling \$31,000 out of 634 line items totaling \$479,000 (12 and 7 per cent of quantity and value) of goods that UNTSO procured on behalf of UNSCO showed that shopping carts and subsequent payments using UNSCO budget accounts were properly processed. Also, the procured

goods were accurately recorded as UNSCO assets in Galileo. However, UNSCO did not reimburse the costs of a staff post for procurement services because the General Assembly in 2014 had rejected the UNSCO budget proposal on staff costs. As UNTSO has absorbed the related workload, OIOS did not make a recommendation on this issue.

21. A review of \$40,000 (18 per cent) of \$233,000 reimbursements made by UNSCO showed that they were properly supported in accordance with the letter of understanding. However, UNTSO did not charge UNSCO for labour costs for communications and information technology services. Some managers of UNTSO and UNSCO stated that this was to compensate for the services of an UNSCO staff who was tasked with help desk functions for both UNSCO and UNTSO. However, there was no document to support this.

22. Non-charging of labor cost for communications and information technology services was due to weakness in monitoring the execution of the letter of understanding, as discussed below. UNTSO and UNSCO explained that as the two Missions are moving towards one support structure, the labour costs for communications and information technology services will no longer be charged. The revised letter of understanding states that only the costs of shared third party services and materials will be reimbursed.

Recent measures addressed the weakness in monitoring the execution of the letter of understanding

23. The letter of understanding requires annual review by UNTSO and UNSCO to assess the effective implementation of the letter and to make adjustments if deemed necessary. For communication and information technology services, the letter of understanding requires a semi-annual review.

24. A review of relevant documents and interviews with senior managers indicated that no joint reviews were formally conducted since the inception of the letter of understanding in May 2013. Further, key performance indicators on the UNTSO services to UNSCO were not adequately developed and monitored. This happened because of frequent turnover and vacancies of the Joint Chief Mission Support position that had been assigned to five different staff members in 2½ years from May 2013 to December 2015. This limited their ability to monitor the implementation of the letter of understanding with reasonable level of continuity and to advise the Heads of the Missions on the long term support strategy.

25. UNTSO and UNSCO have since taken corrective actions. The revised letter of understanding provides clear guidance on moving towards having one mission support component delivering equal services with the same set of key performance indicators to the two Missions. The terms of reference and work plan for the post of Joint Chief of Mission Support were developed to indicate his or her responsibility to provide support services for both Missions; they were formally endorsed by both Heads of Missions. Further, the revised letter requires the Heads of Missions to conduct annual reviews of the effective execution of the letter. In light of the action taken, OIOS did not make a recommendation on this issue.

IV. ACKNOWLEDGEMENT

26. OIOS wishes to express its appreciation to the Management and staff of UNTSO and UNSCO 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 support services provided by the United Nations Truce Supervision Organization to the United Nations Special Coordinator for the Middle East Peace Process

Recom. no.	Recommendation	Critical²/ Important³	C/ O⁴	Actions needed to close recommendation	Implementation date⁵
1	UNSCO should take appropriate action to discontinue the post of Chief Mission Support as the Joint Chief Mission Support of UNTSO and UNSCO has assumed the related responsibilities.	Important	O	Submission of budget proposal for the biennium 2018-2019 stating abolishment of UNSCO Chief Mission Support post.	30 June 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 UNSCO in response to recommendations.

APPENDIX I

Management Response

UNITED NATIONS



NATIONS UNIES

OFFICE OF THE UNITED NATIONS SPECIAL COORDINATOR
FOR THE MIDDLE EAST PEACE PROCESS

MEMORANDUM

24 May 2016

REF: 2016-UNSCO-MS-0021

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

From: Nikolay E. Mladenov, United Nations Special Coordinator for the Middle
East Peace Process

Major General Arthur David Gawn, Chief of Staff and Head of Mission
UNTSO

Subject: OIOS Audit No. AP2015/674/02 – Audit on support services provided by
United Nations Truce Supervision Organization to the Office of the United
Nations Special Coordinator for the Middle East Peace Process

1. We are pleased to present herewith our comments to the findings and recommendations raised in your report.
2. We take this opportunity to thank your office for professionally and cordially conducting the audit.

Management Response

Audit of support services provided by the United Nations Truce Supervision Organization to the United Nations Special Coordinator for the Middle East Peace Process

Rec. no.	Recommendation	Critical ⁶ / Important ⁷	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNSCO should take appropriate action to discontinue the post of Chief Mission Support as the Joint Chief Mission Support of UNTSO and UNSCO has assumed the related responsibilities.	Important	Yes	United Nations Special Coordinator for the Middle East Peace Process	30 June 2016	UNSCO intends to abolish the post of Chief Mission Support in the next biennium (2018-2019). The code cable "UNTSO-UNSCO Relationship and Joint Chief Mission Support", dated 25 April 2016, from both Heads of Mission to the Under-Secretaries-General of the Departments of Field Support, Peacekeeping Operations and Political Affairs explicitly confirms this.

⁶ 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.

⁷ 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.