



**OIOS**

Office of Internal Oversight Services

## **INTERNAL AUDIT DIVISION**

# **AUDIT REPORT**

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## **Financial management in UNCCD**

**Urgent action is needed to ensure sustainable  
funding for the UNCCD secretariat**

**9 March 2009**

**Assignment No. AA2008/242/01**

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United Nations  Nations Unies

INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

OFFICE OF INTERNAL OVERSIGHT SERVICES · BUREAU DES SERVICES DE CONTRÔLE INTERNE  
INTERNAL AUDIT DIVISION · DIVISION DE L'AUDIT INTERNE

TO: Mr. Luc Gnacadja, Executive Secretary  
A: UNCCD

DATE: 9 March 2009

REFERENCE: IAD: 09- 0 2259

FROM: Fatoumata Ndiaye, Acting Director  
DE: Internal Audit Division, OIOS



SUBJECT: **Assignment No. AA2008/242/01 – Audit of financial management in UNCCD**

OBJET:

1. I am pleased to present the report on the above-mentioned audit.
2. Based on your comments, we are pleased to inform you that we will close recommendations 6, 12, and 14 in the OIOS recommendations database as indicated in Annex 1. In order for us to close the remaining recommendations, we request that you provide us with the additional information as discussed in the text of the report and also summarized in Annex 1.
3. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as high risk (i.e., recommendations 1 and 2) in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. Gregoire De Kalbermatten, Deputy Executive Secretary, UNCCD  
Mr. Frank Meek, Coordinator, Administration, Finance and Human Resources Unit, UNCCD  
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors  
Ms. Maria Gomez Troncoso, Officer-in-Charge, Joint Inspection Unit Secretariat  
Mr. Moses Bamuwamye, Chief, Oversight Support Unit, Department of Management  
Mr. Byung-Kun Min, Programme Officer, OIOS  
Mr. Normand Ouellet, Chief, Nairobi Audit Service, OIOS

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## INTERNAL AUDIT DIVISION

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### FUNCTION

*“The Office shall, in accordance with the relevant provisions of the Financial Regulations and Rules of the United Nations examine, review and appraise the use of financial resources of the United Nations in order to guarantee the implementation of programmes and legislative mandates, ascertain compliance of programme managers with the financial and administrative regulations and rules, as well as with the approved recommendations of external oversight bodies, undertake management audits, reviews and surveys to improve the structure of the Organization and its responsiveness to the requirements of programmes and legislative mandates, and monitor the effectiveness of the systems of internal control of the Organization” (General Assembly Resolution 48/218 B).*

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## **EXECUTIVE SUMMARY**

### **Audit of financial management in UNCCD**

OIOS conducted an audit of financial management in the United Nations Convention to Combat Desertification (UNCCD). The overall objective of the audit was to assess adequacy of arrangements for financial management. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

The audit found that arrangements for financial management in the UNCCD secretariat were generally adequate, but urgent action is needed to ensure sustainable funding.

The highest risk facing the UNCCD secretariat was the absence of stable funding arising from two causes:

- Uncollected contributions, which amounted to around \$2.3 million as at 31 July 2008. The impact of these and the absence of an effective response to address the issue raises questions on the ability of the Secretariat to deliver its work programme. OIOS recommended, and UNCCD intends to bring the matter again to the attention of the Conference of the Parties; and
- Absence of a documented secretariat-wide fund raising strategy, especially for the participation and supplementary funds. Funds are needed to ensure programme activities and adequate participation in meetings from stakeholders who rely on these funds to facilitate implementation of the UNCCD secretariat's work plan. UNCCD stated that such a strategy would be developed by the end of 2009.

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## I. INTRODUCTION

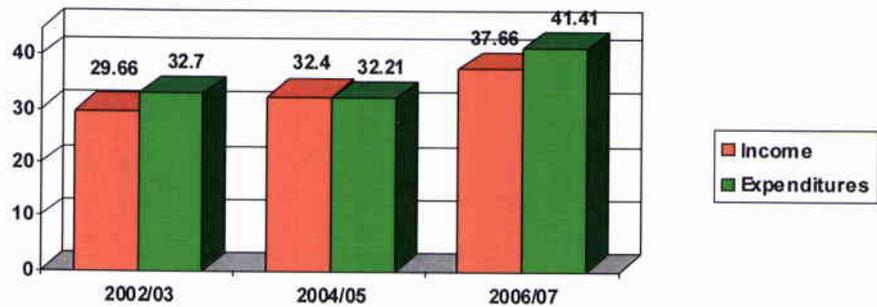
1. The Office of Internal Oversight Services (OIOS) conducted an audit of financial management in the United Nations Convention to Combat Desertification (UNCCD). The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
2. The UNCCD secretariat, which was established in Geneva in 1998, moved to its present headquarters in Bonn in 2003. Within the secretariat, responsibility for financial management lies with the Administration, Finance and Human Resources Unit (AFHR) headed by a Coordinator (at the P-5 level) who is supported by a Finance Officer (P-3) and three Finance Assistants (General Service). Until the implementation of the Integrated Management Information System (IMIS) in 2003, the United Nations Office in Geneva (UNOG) provided complete financial management services to the UNCCD secretariat. Following the implementation of IMIS, a Memorandum of Understanding (MOU) was signed with UNOG in 2003, under which UNOG provides payroll, treasury, payments processing and cash management services.
3. The UNCCD secretariat operates four trust funds, as shown in Table 1.

**Table 1: Trust Funds in UNCCD secretariat**

Name of the trust fund	Biennium	Budget (\$ in millions)
Trust fund for the core budget	2008-2009	17.90
Trust fund for the supplementary activities	2008-2009	19.42
Participation fund	2008-2009	3.27
Bonn fund	2008-2009	0.81

4. Comparative income and expenditures for the financial periods 2002-2003, 2004-2005 and 2006-2007 are shown in Table 2. Total income for the biennium 2006-2007 amounted to \$37.66 million while the total expenditures, including the prior period adjustments and refund to donors, amounted to \$41.41 million, giving a shortfall of income over expenditures of \$3.75 million as of 31 December 2007. The shortfall in income is offset by a cumulative surplus, which stood at \$5.4 million as at 31 December 2006. The size of the surplus meant that UNCCD did not need to use its reserves - a working capital reserve of \$750,210 and an operating reserve of \$893,603.
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**Table 2: Comparative income and expenditure (in millions of dollars)**



5. Comments made by the UNCCD secretariat are shown in *italics*.

## **II. AUDIT OBJECTIVES**

6. The main objective of the audit was to: to assess the adequacy of arrangements for financial management in UNCCD, which included an assessment of:

- (a) Whether adequate arrangements were in place to ensure that financial management services were provided in an efficient and effective manner;
- (b) Whether the expenditures had been incurred in compliance with the United Nations Regulations and Rules, UNCCD financial procedures and related circulars on financial matters; and
- (c) Adequacy of arrangements for fund raising.

## **III. AUDIT SCOPE AND METHODOLOGY**

7. The audit focused on activities for the period January 2006 to June 2008. This included a review and assessment of internal control systems, interviews with staff, analysis of applicable data and a review of available documents. The scope excluded accrual accounting and financial statements, which were addressed by the Board of Auditors. Also excluded, were the payroll, treasury and IMIS support functions provided by UNOG.

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## IV. AUDIT FINDINGS AND RECOMMENDATIONS

### A. Funding arrangements

#### Need to urgently discuss with the COP handling of unpaid assessed contributions

8. After the COP approves appropriations for the UNCCD secretariat, the Finance unit prepares a scale of assessment based on the approved budget. An assessment letter is then sent to all the Parties and the receipt of contributions is monitored on a regular basis by the Finance unit. The status of outstanding contributions is placed on the UNCCD website. The secretariat regularly follows up on unpaid contributions and takes advantage of opportunities such as diplomatic seminars to inform the embassies of the status of unpaid contributions.

9. Whilst there was an effective system in place for follow up, UNCCD has experienced serious problems because of non-receipt of assessed contributions. One of the major contributing countries considers assessed contribution to the secretariat as voluntary, resulting in paying less than assessed contribution. For example, non-payment of some contributions in 2006 resulted in a freezing of posts. In the absence of regular receipt of assessed contributions from the Parties, the secretariat is exposed to the risk of not being able to fulfill its responsibilities. The Board of Auditors noted in their audit of financial statements for the biennium 2006-2007, that the unpaid contributions remained high, at \$2.3 million as at end of July 2008 and recommended that UNCCD define a write-off policy for long outstanding contributions which are unlikely to be collected, to present a more accurate financial position in accordance with United Nations Financial Regulation 3.4. The secretariat stated that writing off the outstanding contributions would possibly send a wrong signal to the Parties.

10. The breakdown of unpaid contributions is given in Table 3, which shows that the amount unpaid has started to increase significantly in the last three years. If the present trend continues, the impact on the work programme will also increase. This needs to be drawn to the attention of the COP along with solutions for tackling the issue.

**Table 3: Outstanding Contributions**

Year	Total Assessed contribution	Actual receipts	Amount still uncollected	Percentage of total assessed
2001	6,194,300	6,037,021	157,279	2.5
2002	7,764,900	7,748,910	15,990	0.2
2003	7,560,300	7,430,812	129,488	1.7
2004	8,603,000	8,364,813	238,187	2.8
2005	8,446,000	8,124,782	321,218	3.8
2006	8,290,000	7,730,597	559,403	6.7
2007	8,415,000	7,479,153	935,847	11.1
<b>Total</b>	<b>66,560,000</b>	<b>64,193,688</b>	<b>2,366,312</b>	

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## Recommendation 1

**(1) The UNCCD secretariat should reiterate to the Conference of the Parties the increasing impact of the uncollected assessed contributions on programme activities and propose solutions on how this could be handled.**

11. *The UNCCD secretariat accepted recommendation 1 and stated that this matter will again be brought to the attention of the COP. Outstanding contributions are posted on the web on a monthly basis and current value of Euro contributions due is also posted on the web as UN operational rates of exchange vary.* Recommendation 1 remains open pending receipt of documentation from UNCCD showing that the issue of uncollected contributions has been again brought to the attention of the COP and notification of any actions taken.

### Need for a formal documented fund raising strategy

12. The activities envisaged in the secretariat's work plan could not all be met from core funding. This is recognized by the secretariat who include in their letters to member states on the assessed contributions a request for voluntary contributions for the participation and supplementary funds. Officials in the Executive Development and Management regularly undertake official missions to the member states. One of the objectives of the official missions is to urge the member states to make voluntary contributions to UNCCD. The secretariat explained that a post at the level of P-5 has now been created as a special assistant to the Executive Secretary, and this position would deal with fund raising issues and activities. None of these activities is supported by a formal funding raising strategy and associated action plan, specifically geared to raising funds and monitoring success.

13. The participation fund was established under the UNCCD financial rule 10 to support participation in the COP and its subsidiary bodies from representatives of developing, and in particular least developed countries affected by desertification and/or drought, particularly those in Africa. The total requirement for the participation fund in 2008-2009 is EUR 2,427,000 comprising funding requirement of EUR 1,172,000 for the Committee for Review of Implementation of the Convention (CRIC 7) and EUR 1,255,000 for COP 9.

14. The supplementary fund was established under financial rule 9 to support the participation of representatives of the non-governmental organizations from affected developing parties in the sessions of Conference of Parties and other related meetings/conferences. This fund is also used to assist the substantive activities of the UNCCD. The funding requirements for the biennium 2008-2009 were estimated as EUR 14,383,000.

15. Table 4 shows that the participation and supplementary funds are not achieving their targets, which could have adverse consequences for programme

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activities and ensuring proper representation of all affected parties at COPs and related meetings. In the absence of a clear-cut fund raising strategy, there is also a risk of not being able to raise sufficient funds for UNCCD substantive activities. Inadequate funds would not only impact the implementation of the work plan but also pose a risk to reputation of the secretariat.

**Table 4: Status of Voluntary Contributions**

Name of the fund	Estimated requirement (EUR)	Actual receipt of funds as of August 2008	Percentage
Participation fund	2,427,000	53,255	2
Supplementary fund	14,383,000	2,063,830	14

**Recommendation 2**

**(2) The UNCCD secretariat should create a documented fund raising strategy based on the Conference of the Parties' consideration of its programme budget to mitigate the risk of not having financial resources to implement the substantive activities and ensure adequate representation of developing countries in activities of the Conference of the Parties.**

16. *The UNCCD secretariat accepted recommendation 2 and stated that the Senior Advisor to the Executive Secretary post will be re-advertised soon since the chosen candidate declined the offer. One of the primary duties of this individual will be to develop and help implement a fund raising strategy. Recommendation 2 remains open pending receipt of a copy of the UNCCD fund raising strategy.*

**B. Monitoring and reporting**

Need to improve tracking and reporting on the status of Conference of the Parties (COP) financial decisions

17. The Office of the Executive Secretary has the responsibility for tracking and reporting COP decisions. OIOS reviewed the arrangements for handling COP financial decisions and concluded that UNCCD had an adequate mechanism in place to monitor and report on the status of all COP decisions, where there was a requirement to report back to the COP. Once the decision had been reported back to the COP, regardless of whether the decision remained in force, it was no longer reported or filed in a database for easy retrieval and reference. It was therefore not possible to easily access a list of all extant COP financial decisions or to track the evolution of the decisions. The absence of a database of resolutions still in force exposes the secretariat to the risk of inability to demonstrate that all its activities are supported by COP decisions.

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### **Recommendation 3**

**(3) The UNCCD secretariat should enhance and update its existing repository to include all extant resolutions of the Conference of the Parties relating to financial management and archive resolutions that have been superseded or cancelled.**

18. *The UNCCD secretariat accepted recommendation 3 and stated it will be implemented by March 2010. Recommendation 3 remains open pending receipt of documentation from UNCCD showing that the repository of financial resolutions has been updated to include all extant resolutions.*

#### Need to review staffing implications arising from COP decision on results-based management

19. By its decision (ES-1)/5, the COP requested the Executive Secretary to introduce results-based management and to realign, as needed, the current programmes, staffing structure, and terms of reference for posts of the secretariat, to facilitate implementation of the strategy working within the allocated budget, guided by the following principles:

- (a) Optimization of expenditures and improvements in efficiency, as appropriate;
- (b) The reallocation of resources to strengthen key capacities;
- (c) The need for transparency and clarity in accounting; and
- (d) Increased support to the COP and its subsidiary bodies.

20. The secretariat was tasked to report to the 9th meeting of the COP (COP 9) on the outcomes of this realignment. The two-year and four-year work plans of the secretariat were being prepared taking into consideration elements of results-based management. The UNCCD secretariat had also organized training courses for its staff on results-based management. The secretariat indicated that the budget proposals for the 2010 and 2011 biennium will be based on the results-based budgeting framework.

21. The secretariat is currently in the process of revising the terms of reference for posts in the operational clusters based on the restructuring exercise. The secretariat informed OIOS that due to having only one human resources assistant post, this item could not be prioritized. The secretariat added that possibility of hiring a consultant to prepare the revised terms of reference is being explored.

### **Recommendation 4**

**(4) The UNCCD secretariat should revise the terms of reference for posts in the secretariat after restructuring to**

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**fully comply with the decision of the Conference of the Parties on results-based management.**

22. *The UNCCD secretariat accepted recommendation 4 and stated that this is dependent upon the outcome of the desk-to-desk review which is presently ongoing, consideration of the recommendations made resulting from that review, and the ultimate approval of the COP of the restructuring proposed by the secretariat.* Recommendation 4 remains open pending receipt of documentation from UNCCD showing the revised terms of reference for posts in the secretariat.

Need to undertake joint review with UNOG on adequacy of services delivered

23. The secretariat paid approximately \$186,000 to UNOG for reimbursement of service costs during the biennium 2006-2007. The secretariat provides feedback every year on the services received. Delays in the processing of educational grant payments by UNOG and frequent disruptions to the IMIS database have been reported. However, no discussions have taken place on how UNOG might improve performance delivery. A mechanism for such discussions exists in Amendment I of the MOU signed with UNOG in 2006, which states that joint reviews of the services provided will be carried out at the appropriate level as and when required. The absence of such a review, particularly after problems in service delivery by UNOG have been identified, means that UNCCD continues to receive the services without reasonable assurance that it is obtaining value for money. The secretariat explained that management did not take any action on the amendment because it did not specify any time frame.

**Recommendation 5**

**(5) The UNCCD secretariat should initiate a joint review of the Memorandum of Understanding (MOU) with UNOG to ensure that services provided by UNOG are in accordance with the MOU and identify where service delivery could be improved.**

24. *The UNCCD secretariat accepted recommendation 5 and stated that action will be taken during the next review of the MOU with UNOG.* Recommendation 5 remains open pending receipt of documentation from UNCCD showing the results of the joint review of the MOU with UNOG.

Challenges in implementing the COP decision to use the Euro rather than the Dollar as unit of accounting

25. In accordance with the decision of the COP, the budget and accounting currency of the UNCCD changed from United States dollar to the Euro for the biennium 2008-2009. Accordingly, the UNCCD secretariat requested UNOG's assistance to:

- (a) Implement the required changes in IMIS to accommodate COP's decision on the introduction of the Euro as the budget and accounting currency; and

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- (b) Determine the cost of any changes to the IMIS accounting system and any other related costs to account for the activities of the secretariat in Euro.

26. UNOG clarified that existing arrangements to provide financial services to UNCCD are governed by the United Nations Financial Regulations and Rules. UNOG added that the COP's decision to record and present the accounts in the Euro contravened United Nations Financial Regulation 6.3, which requires that the accounts of the United Nations must be presented in United States dollars. The UNCCD secretariat has its own financial procedures which have been approved by the COP. In terms of these procedures, the decision to use the Euro is within the authority of the COP.

27. As the United Nations is going to replace IMIS with a system that UNCCD understands will be able to record and present financial statements in Euros, UNCCD decided to continue its existing arrangements with UNOG. This means that the contributions are assessed and received in Euros and the financial statements are prepared in dollars and reconciliation between the two has to be done manually. Maintaining manual and electronic accounting systems and undertaking manual reconciliation between the two increases the risk of financial errors and also increases the workload. OIOS found that a mechanism to reconcile dollar and Euro accounts had not been instituted.

#### **Recommendation 6**

- (6) The UNCCD secretariat should institute a formal mechanism to reconcile manual and electronic accounting systems.**

28. *The UNCCD secretariat accepted recommendation 6 and stated that Manual records are reconciled monthly to electronic accounting systems, and reconciliations are being further enhanced as we move towards adoption of the International Public Sector Accounting Standards (IPSAS).* Based on the action taken by UNCCD, recommendation 6 has been closed.

Risk that IPSAS will not be implemented on schedule unless urgent action is taken

29. COP decision 1/COP.ES-1 noted that the secretariat must change its underlying accounting systems in conjunction with the implementation of IPSAS by the beginning of 2010. The Board of Auditors recommended in their audit of financial statements for the biennium 2006-2007 that UNCCD should create an IPSAS implementation plan. The secretariat is yet to establish a project team and allocate resources for IPSAS implementation. In view of the financial implications involved, it is essential that a costed work plan for implementing IPSAS is prepared for the consideration of the COP. Unless action is taken soon, UNCCD may not be able to achieve the 2010 deadline.

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### **Recommendation 7**

**(7) The UNCCD secretariat should create a costed work plan for implementing the International Public Sector Accounting Standards, which should be presented to the Conference of Parties (COP) to ensure compliance with the COP decision to implement IPSAS by 2010.**

30. *The UNCCD secretariat accepted recommendation 7 and stated that the secretariat needs to obtain additional financial and human resources to properly implement IPSAS by 2010. Recommendation 7 remains open pending receipt of a copy of the costed work plan for implementing IPSAS.*

### **C. Staffing**

#### Need to update job descriptions

31. The four finance staff did not have up to date approved job descriptions reflecting the actual work they were doing. The job descriptions had not been updated since the inception of the secretariat in 1998. In particular, they did not reflect changes in responsibilities that occurred when IMIS was introduced in 2003. The secretariat stated that due to other important commitments, the job descriptions have not been updated. The absence of up to date job descriptions increases the risk that management is unable to hold staff accountable, and staff may not perform functions that they are required mandated to perform.

### **Recommendation 8**

**(8) The UNCCD secretariat should update the job descriptions of finance staff based on the distribution of work to ensure that staff are performing tasks in line with approved job descriptions.**

32. *The UNCCD secretariat accepted recommendation 8 and stated that the desk-to-desk review is currently underway, and as a result of this review, job profiles will be updated to reflect current work assignments. Recommendation 8 remains open pending receipt of the updated job descriptions of finance staff.*

#### Failure to conduct performance appraisals of finance staff

33. According to Staff Rule 101.3, staff members shall be evaluated for their efficiency, competence and integrity through performance appraisal mechanisms and performance reports shall be prepared regularly. ST/AI/2002/3 specifies that performance cycle shall be annual. The performance of finance staff had not been appraised for the last three years. The secretariat stated that due to other work commitments, the issue of performance appraisal could not be done. In the absence of regular appraisals, there is a risk of not providing opportunities for the professional development of the staff or for taking corrective measures for improving performance.

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### **Recommendation 9**

**(9) The UNCCD secretariat should institute a mechanism to monitor and ensure that performance appraisals of finance staff are conducted in compliance with Staff Rule 101.3.**

34. *The UNCCD secretariat accepted recommendation 9 and stated that after completion of desk-to-desk review, performance appraisals will be prepared based upon current job descriptions.* Recommendation 9 remains open pending confirmation by UNCCD that performance appraisals of finance staff have been performed in accordance with Staff Rule 101.3.

#### Failure to ensure that staff were adequately trained to carry out their duties

35. The secretariat did not have in place any formal training arrangements for its finance staff. There was no training budget and centralized record of training undertaken. As such, there was no mechanism in place to ensure that once recruited, finance staff received necessary training to maintain their capability to adequately discharge their responsibilities in key areas such as IMIS. The lack of such arrangements increased the risk of staff failing to ensure that financial matters were handled efficiently and in accordance with United Nations Financial Regulations and Rules.

### **Recommendation 10**

**(10) The UNCCD secretariat should undertake an exercise to identify the training needs of finance staff and allocate the resources to implement an annual training plan to ensure that the required professional knowledge is developed and maintained.**

36. *The UNCCD secretariat accepted recommendation 10 and stated that after completion of the desk-to-desk review, training needs of finance staff will be identified so that appropriate courses can be taken by staff. Intent is that finance staff would have recurring training to maintain accounting skills.* Recommendation 10 remains open pending receipt of a copy of the annual training plan and modalities for identifying and resourcing staff training needs.

#### Training for certifying officers

37. In accordance with Financial Rule 105.5, the Executive Secretary designated four individuals as regular certifying officers and four as alternates. Included in this list were the coordinators of the secretariat programmes, who are specialists in the substantive activities but may not have specialized knowledge in finance matters.

38. In the past, accountability was achieved by providing each certifying officer with documentation explaining their functions, together with a copy of the Financial Rules. They were also required to sign a document acknowledging

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receipt and that they understood their duties. This practice has been discontinued increasing the risk that certifying officers may not be fully aware of their roles and the risk of financial errors, for which it may be difficult to hold them accountable. These risks are further increased by the absence of any training for certifying officers on their roles and responsibilities. The secretariat commented that certifying officers were trained by UNOG when IMIS was first commissioned in Bonn in 2003. The secretariat acknowledged that newly designated certifying officers have not undergone any training on certifying functions.

### **Recommendation 11**

**(11) The UNCCD secretariat should put in place procedures covering the training requirements of certifying officers. This should include requiring certifying officers to sign an undertaking that they understand their roles and are in receipt of the necessary information to enable them to carry out their function.**

39. *The UNCCD secretariat accepted recommendation 11 and stated that this will be undertaken after the completion of the desk- to-desk review, and determination of the needed changes in certifying officer assignments, if any.* Recommendation 11 remains open pending receipt of a copy of procedures developed by UNCCD to ensure that certifying officers are aware of and are fully trained in their duties.

### Approving officers must be staff with thorough knowledge of financial operations

40. The Executive Secretary designated four regular approving officers and two alternates. Access controls to IMIS are managed by the UNOG. One of the alternate approving officers is an Information Technology (IT) officer responsible for:

- (a) Approval of journal vouchers;
- (b) Approval of obligations, travel requests, or proposals for incurring expenditures;
- (c) Approval of applied deposits; and
- (d) Approval of accounts receivable transactions.

41. Segregation of duties with respect to IMIS was not an issue as IMIS access controls are managed jointly between UNOG and the IT officer. To perform the role of the approving officer as envisaged in Financial Rule 105.6, a thorough understanding of finance operations is essential. While OIOS did not find any problems with specific vouchers approved by the approving officer, there is a risk of approval of questionable vouchers.

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### **Recommendation 12**

**(12) The UNCCD secretariat should ensure that it only appoints as approving officers individuals who possess adequate knowledge of finance, to ensure proper control over the approval process.**

42. *The UNCCD secretariat accepted recommendation 12 but stated that this is not always possible. Individual(s) involved were deleted from the listing of approving officers. Considering the number of staff in finance and segregation of their duties, it is difficult to assign only finance staff for certifying and approving officer functions.* Based on UNCCD's response, recommendation 12 has been closed.

#### Failure to ensure an appointed approving officer was always available

43. UNCCD had no arrangements in place to ensure that at least one of the six approving officers was always available. Consequently, OIOS identified one instance where an unauthorized staff member had executed the approving function in the absence of a designated official. The secretariat explained that all six designated approving officers were on leave during the months of July and August 2008. In order to ensure the continuity of finance operations, the Coordinator had decided internally in the Finance Unit to provide access to the IT assistant to approve the vouchers on an exceptional basis. Rather than appoint a seventh person, UNCCD should have ensured that all six approving officers could not be away at the same time. UNCCD had no arrangements in place to ensure that this did not happen.

44. Based on OIOS's concerns about this arrangement, the UNCCD secretariat withdrew the IT assistant's approval rights in IMIS.

### **Recommendation 13**

**(13) The UNCCD secretariat should put in place procedures to ensure that at least one of the six designated approving officers is always available.**

45. *The UNCCD secretariat accepted recommendation 13 but stated that this is not always possible. The small size of the secretariat makes having one approving officer available at all times difficult during certain periods. We are pursuing setting up internet access for those individuals who can provide necessary backup in such situations.* Recommendation 13 remains open pending receipt of details of the modalities to ensure that at least one of the six designated approving officers is always available.

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## **D. Compliance with established procedures**

### Adequate procedures are in place for handling obligations

46. There were adequate procedures in place for handling obligations and for ensuring that obligations were not entered into IMIS before allotments or appropriate authorizations had been received. Obligations were revised and duly certified, in case of increase in price or requirements prior to receipt of goods/services.

47. The UNCCD secretariat Accounts Unit forwarded a list of outstanding obligations to the certifying officers every quarter to review and liquidate those not required. OIOS' verification confirmed that certifying officers did carry out checks. Outstanding obligations relating to travel requests (PT8) are minimal and a mechanism is in place to regularly update the outstanding obligations.

### Need to ensure invoices are only processed when there is adequate supporting documentation

48. According to the Financial Rule 105.6, the approving officer should only approve a payment when the goods/services have been received in accordance with the contract and there is adequate supporting documentation. OIOS reviewed a sample of 48 disbursements for the period 2007-2008 and found that in 17 cases the supporting documentation was incomplete (such as invoices and proof of payment). In addition, original invoices were not attached to the payment voucher.

49. On the issue of original invoices, the secretariat explained that original invoices were sent to the German Government for claiming the reimbursement of Value Added Tax (VAT). As per the host country agreement, purchases for the United Nations purpose are exempted from VAT. The UNCCD secretariat usually makes payments of the full invoiced amount including VAT to the vendor and later claims reimbursement of the VAT portion from the German authorities. After the payment of claimed VAT portion, the German authorities return the original invoices to the secretariat. The secretariat added that whilst the payments were processed on the basis of original invoices, they had failed to reattach the original invoice to the payment voucher after the German authorities returned the original invoice. UNCCD said that this would be done in future.

### **Recommendation 14**

**(14) The UNCCD secretariat should improve the audit trails in invoice processing by attaching the relevant supporting documentation to the invoice payment vouchers in accordance with the Financial Rule 105.6.**

50. *The UNCCD secretariat accepted recommendation 14 and stated that action has been taken to attach original invoices to the payment vouchers. Based on the action taken by UNCCD, recommendation 14 has been closed.*

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Need to improve the controls in the processing of Inter-office vouchers (IOVs)

51. IOVs were mainly used for transactions with the United Nations Development Programme (UNDP). A new IOV procedure was introduced in 2005. This procedure has not been updated to ensure that the IOVs are only produced in the presence of adequate supporting documentation. Under the revised procedure, funds are placed in advance at the disposal of UNDP. UNDP debits the expenses on account of services provided from the advance amount. UNDP raises an IOV with the details of the services rendered and with an invoice.

52. OIOS reviewed a sample of 40 IOVs and in 36 cases the IOVs were processed without an invoice. The staff in the Finance unit explained that there were no internal guidelines on the processing of the IOVs based on the revised procedure. Processing of IOVs without the invoices exposes the organization to the risk of inaccurate payments to UNDP for services not rendered.

**Recommendation 15**

**(15) The UNCCD secretariat should issue detailed guidelines on the processing of inter-office vouchers to strengthen the internal controls in the invoice processing.**

53. *The UNCCD secretariat accepted recommendation 15 and stated that the number of IOVs has reduced due to the direct payment through IMIS. Moreover UNDP changed from IOV to Service Clearing Account (SCA) reports which are received and processed based on UNCCD financial authorizations. No more attachments were forwarded by UNDP. Recommendation 15 remains open pending receipt of detailed guidelines on the revised procedures relating to handling of SCAs.*

**E. IT support**

IMIS down time needs to be reduced

54. In accordance with the MOU, UNOG should ensure that IMIS is available to the registered UNCCD users, in accordance with their authorized access rights, during the official UNOG working hours (Monday to Friday from 08.30 am to 17.30 pm) unless maintenance such as an upgrade has been scheduled before hand. The availability goal for IMIS during the UNOG's official working hours is ninety-nine per cent based on information collected from logs and other monitoring tools.

55. In practice, UNCCD registered users often experience problems in accessing IMIS during the official working hours. During the period January 2007 to July 2008, UNCCD registered 25 complaints dealing with IMIS access problems. The total down time for IMIS in the last one year was approximately 60 hours based on the IMIS logs. The availability goal of ninety-nine per cent for the IMIS during the UNOG's official working hours could not be ascertained.

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56. The secretariat explained that the reasons for the IMIS shut downs were primarily because of the problems with the UNOG server although some problems could be attributed to local server problems. One of the major problems was difficulty in printing IMIS reports. Not having continuous access to the IMIS database could expose the secretariat to the risk of not being able to adhere to the deadlines, which could also have an impact on the operational efficiency of the secretariat.

**Recommendation 16**

**(16) The UNCCD secretariat should liaise with UNOG to resolve the difficulties finance staff are experiencing in accessing the IMIS database.**

57. *The UNCCD secretariat accepted recommendation 16 and stated that problems are recurring and a permanent solution has not been found for all situations.* Recommendation 16 remains open pending receipt of modalities developed to resolve and fix in a timely manner the IMIS problems experienced by UNCCD staff.

**V. ACKNOWLEDGEMENT**

58. We wish to express our appreciation to the Management and staff of UNCCD secretariat for the assistance and cooperation extended to the auditors during this assignment.

## STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	Recommendation	Risk category	Risk rating	C/O <sup>1</sup>	Actions needed to close recommendation	Implementation date <sup>2</sup>
1	The UNCCD secretariat should reiterate to the Conference of the Parties the increasing impact of the uncollected assessed contributions on programme activities and propose solutions on how this could be handled.	Financial	High	O	Receipt of documentation showing that the issue of uncollected contributions has been again brought to the attention of the COP and notification of any actions arising.	March 2010
2	The UNCCD secretariat should create a documented fund raising strategy based on the Conference to the Parties' consideration of its programme budget to mitigate the risk of not having financial resources to implement the substantive activities and ensure adequate representation of developing countries in activities of the Conference of the Parties.	Strategy	High	O	Receipt of a copy of the fund raising strategy.	November 2009
3	The UNCCD secretariat should enhance and update its existing repository to include all extant resolutions of the Conference of the Parties relating to financial management and archive resolutions that have been superseded or cancelled.	Governance	Medium	O	Receipt of documentation demonstrating that repository of financial resolutions has been updated to include all extant resolutions.	March 2010
4	The UNCCD secretariat should revise the terms of reference for posts in the secretariat after restructuring to fully comply with the decision of the Conference of the Parties on results based management.	Human Resources	Medium	O	Receipt of documentation from UNCCD showing the revised terms of reference for posts in the secretariat.	March 2010
5	The UNCCD secretariat should initiate a joint review of the Memorandum of Understanding (MOU) with UNOG to ensure that services provided by UNOG are in accordance with the MOU and identify	Operational	Medium	O	Receipt of documentation from UNCCD showing the results of the joint review of the MOU with UNOG.	March 2010

Recom. no.	Recommendation	Risk category	Risk rating	C/O <sup>1</sup>	Actions needed to close recommendation	Implementation date <sup>2</sup>
6	where service delivery could be improved. The UNCCD secretariat should institute a formal mechanism to reconcile manual and electronic accounting systems.	Operational	Medium	C	Action completed.	Implemented.
7	The UNCCD secretariat should create a costed work plan for implementing the International Public Sector Accounting Standards, which should be presented to the Conference of Parties (COP) to ensure compliance with the COP decision to implement IPSAS by 2010.	Strategy	Medium	O	Receipt of a copy of the costed work plan for implementing IPSAS.	September 2009
8	The UNCCD secretariat should update the job descriptions of the finance staff based on the distribution of work to ensure that staff are performing tasks in line approved job descriptions.	Human Resources	Medium	O	Receipt of the updated job descriptions of finance staff.	March 2010
9	The UNCCD secretariat should institute a mechanism to monitor and ensure that performance appraisals of finance staff are conducted in compliance with Staff Rule 101.3.	Human Resources	Medium	O	Confirmation by UNCCD that performance appraisals of finance staff have been performed in accordance with Staff Rule 101.3.	March 2010
10	The UNCCD secretariat should undertake an exercise to identify the training needs of finance staff and allocate the resources to implement an annual training plan to ensure that the required professional knowledge is developed and maintained.	Human Resources	Medium	O	Receipt of a copy of the annual training plan and modalities for identifying and resourcing staff training needs.	March 2010
11	The UNCCD secretariat should put in place procedures covering the training requirements of certifying officers. This should include requiring certifying officers to sign an undertaking that they understand their roles and are in receipt of the necessary information to enable them to carry out their function.	Operational	Medium	O	Receipt of a copy of procedures developed by UNCCD to ensure that certifying officers are aware of and are fully trained in their duties.	March 2010
12	The UNCCD secretariat should ensure that it only appoints as approving officers	Operational	Medium	C	Action completed.	Implemented.

Recom. no.	Recommendation	Risk category	Risk rating	C/O <sup>1</sup>	Actions needed to close recommendation	Implementation date <sup>2</sup>
13	individuals who possess adequate knowledge of finance, to ensure proper control over the approval process. The UNCCD secretariat should put in place procedures to ensure that at least one of the six designated approving officers is always available.		Medium	O	Receipt of details of the modalities to ensure that at least one of the six designated approving officers is always available.	December 2009
14	The UNCCD secretariat should improve the audit trails in invoice processing by attaching the relevant supporting documentation to the invoice payment vouchers in accordance with the Financial Rule 105.6.	Operational	Medium	C	Action completed.	Implemented.
15	The UNCCD secretariat should issue detailed guidelines on the processing of Inter-office vouchers to strengthen the internal controls in the invoice processing.	Operational	Medium	O	Receipt of detailed guidelines on the revised procedures relating to handling of SCAs.	March 2010
16	The UNCCD secretariat should liaise with UNOG to resolve the difficulties finance staff are experiencing in accessing the IMIS database.	Information Resources	Medium	O	Receipt of modalities developed to resolve and fix in a timely manner the IMIS problems experienced by UNCCD staff.	March 2010

1. C = closed, O = open

2. Date provided by UNCCD in response to recommendations.