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INTEROFFICE MEMORANDUM

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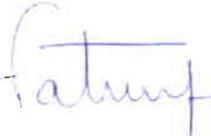
OFFICE OF INTERNAL OVERSIGHT SERVICES BUREAU DES SERVICES DE CONTRÔLE INTERNE
INTERNAL AUDIT DIVISION DIVISION DE L'AUDIT INTERNE

TO: Mr. Lamberto Zannier
A: Special Representative of the Secretary-General
United Nations Interim Administration Mission in Kosovo
(UNMIK)

DATE: 17 March 2009

REFERENCE: IAD: 09-02293

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



SUBJECT: Assignment No. AP2008/650/01 – Audit of the Trust Fund Support to UNMIK
OBJET:

There were opportunities for further improvements particularly in the implementation of delegation of authority, planning, monitoring and reporting of the Trust Fund activities

1. I am pleased to present the report on the above-mentioned audit which was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
2. Based on your comments, we are pleased to inform you that we will close recommendations 1 and 3 in the OIOS recommendations database as indicated in Annex 1. In order for us to close the remaining recommendation, 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 2 and 3), in its annual report to the General Assembly and semi-annual report to the Secretary-General.

I. INTRODUCTION

4. The Office of Internal Oversight Services (OIOS) conducted an audit of the Trust Fund to support the United Nations Interim Administration Mission in Kosovo (UNMK).
5. During the period 2003 to 2007, the Trust Fund financed two main projects, namely the Financial Investigation Unit and the Witness Protection Project. According to the draft plan of the Witness Protection Programme Working Group, the total projected cost over the three-year period, starting 2005, was about two million Euros. Table 2 depicts the projected cost over three years:

Table 1: Projected Cost for the Witness Protection Programme

Year	Amount in Euros
First	902,842
Second	714,110
Third	431,790
Total	2,048,742

6. Comments made by UNMIK are shown in *italics*.

II. AUDIT OBJECTIVES

7. The main objectives of the audit were to:
- (a) Assess the adequacy and effectiveness of the internal controls over Trust Fund administration; and
 - (b) Assess the effectiveness of Trust Fund reporting.

III. AUDIT SCOPE AND METHODOLOGY

8. The audit focused on UNMIK's administration of the Trust Fund during the period 2005 to 2007. In particular, the audit focused on Trust Fund activities relating to the Witness Protection Project as the Financial Investigation Unit was audited by OIOS in 2005. The audit covered project support costs, substantive activities, and the administrative and financial controls regarding the management of the Trust Fund.

9. The audit methodology comprised interviews with relevant staff, review of pertinent records, analyses of data and assessment of internal controls.

IV. OVERALL ASSESSMENT

10. Some tasks relating to the Witness Protection Project were delayed and the quality of work in some instances was poor mainly due to inadequate guidelines on project implementation, and poor planning and monitoring of the project's implementation. UNMIK did not fully comply with the Controller's delegation of authority, particularly regarding changes to the contribution agreements and donors' reporting requirements were in some instances not complied with.

V. AUDIT FINDINGS AND RECOMMENDATIONS

A. Administration and monitoring of the Witness Protection Project

11. The former Principal Deputy Special Representative of the Secretary General (SRSG) had established a Task Force for the Witness Protection Project with terms of reference but there were no guidelines issued by UNMIK to administer and monitor the execution of the project. This contributed to delays in the performance of some tasks, poor quality of work executed in few cases as mentioned below, and poor records on the

discussions and decisions of the Task Force and other parties including the Engineering Section and the Witness Protection Unit. The only documentation maintained by the Mission was e-mails, which did not represent an accurate and complete set of records on project implementation.

12. On 7 November 2007, the Representative of the Permanent Mission of Sweden to the United Nations approved the use of the unencumbered balance of \$99,755 of Sweden's contribution and requested that the balance be used by 31 January 2008. On 2 July 2008, five months after the deadline had expired for the completion of the project, an assessment by the Deputy Commander of the Witness Protection Unit pointed out that some 27 items were still pending and five other items for which the work had already been completed needed repairing. There was poor planning of the activities of the Witness Protection Project. The initial Bill of Materials contained only seven items such as blast protection film on windows, window grills, replacement of external doors, installation of light poles, fence repairs, etc. The UNMIK Office of Mission Support assured that future work for the Witness Protection Programme will be properly planned.

13. OIOS was satisfied that the funds were accurately disbursed by the Finance Section to FIU staff and vendors of the Witness Protection Project. OIOS also verified that actual interest income on funds, contributed by European Agency for Reconstruction (EAR) in all five contribution agreements, was reimbursed to the EAR.

Recommendation 1

(1) The UNMIK Office of Mission Support should issue guidelines on how to administer and monitor the execution of projects, as well as how to maintain proper record-keeping in order to assist project Administrators in their duties.

14. *The UNMIK Office of Mission Support accepted recommendation 1 and issued standard operating procedures and guidelines on how to administer and monitor the execution of Trust Fund Projects in line with the recommendation. Based on the action taken by the UNMIK Office of Mission Support, recommendation 1 has been closed.*

B. Delegation of authority

15. The Delegation of Authority dated 9 December 2005 issued to UNMIK by the Controller provides that UNMIK shall not: (a) accept voluntary contributions; (b) sign donor agreements; (c) issue allotments, allocations or grants; (d) establish trust funds and sub-accounts; and (e) change the terms of existing trust funds or sub-accounts.

16. UNMIK signed Amendment 3 of the Tripartite Agreement with the EAR without obtaining the prior approval of the Controller. The amendment includes a reduction in programme support costs from 7 to 5 per cent. The reduction in programme support cost resulting from this amendment was \$75,971.

17. On 21 March 2007, the Controller sent a letter to UNMIK pointing out that the contribution agreement with the EAR had been signed by UNMIK without his prior approval and that UNMIK had not been delegated the authority to enter into Trust Fund agreements on behalf of the United Nations. The Chief Finance Officer stated that it had

been an oversight on the part of the UNMIK Administration, which has now been rectified. Furthermore, the UNMIK Office of Mission Support stated that they will obtain the Controller's clearance prior to signing any contribution agreement in the future. Based on the action taken, OIOS is not issuing a recommendation regarding noncompliance with the Controller's delegation of authority.

C. Reporting to donor

18. As of the date of the audit, UNMIK had not reported to the Government of Sweden on the use of the balance of its contribution mentioned in paragraph 12 above.

19. The Office of the SRSG stated that the delay in reporting occurred because the responsible officer for following up on the use of Trust Fund had been on extended sick leave. Moreover, the Office of the SRSG stated that it was working on a report and that a copy of the report would be provided to OIOS. As of the date of this report, OIOS had not received a report. In OIOS' opinion, this indicates that the current reporting and follow-up arrangements to ensure compliance with donor requirements were not effective.

Recommendations 2 and 3

(2) The UNMIK Office of Mission Support should comply with the requirement of the Government of Sweden and report on the utilization of the encumbered balance of its donation totaling \$99,755.

(3) UNMIK Office of Mission Support should establish a system to ensure that the reporting requirements of donors are complied with .

20. *The UNMIK Office of Mission Support accepted recommendation 2 and stated that the relevant report on the utilization of the encumbered balance of the donation was being compiled and would be released as soon as possible. Recommendation 2 remains open pending submission of the report on utilization of the Government of Sweden's donation of \$99,755.*

21. *The UNMIK Office of Mission Support accepted recommendation 3 and stated that a focal point had been appointed in the Office of the SRSG to ensure that the reporting requirements of donors are complied with. Based on the action taken by UNMIK Administration, recommendation 3 has been closed.*

VI. ACKNOWLEDGEMENT

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

cc: Ms. Romana Rauf, Acting Chief Mission Support, UNMIK
Mr. Anil Vasisht, Acting Chief of Staff, UNMIK
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Ms. Susanne Frueh, Executive Secretary, Joint Inspection Unit Secretariat
Mr. Moses Bamuwamye, Chief, Oversight Support Unit, Department of Management
Mr. Seth Adza, Chief, Audit Response Team, Department of Field Support
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STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
1	The UNMIK Office of Mission Support should issue guidelines on how to administer and monitor the execution of projects, as well as how to maintain proper record-keeping in order to assist project Administrators in their duties.	Operational	Medium	C	Action completed	Implemented
2	The UNMIK Office of Mission Support should comply with the requirement of the Government of Sweden and report on the utilization of the encumbered balance of its donation totaling \$99,755.	Compliance	High	O	Submission of report on utilization of the Government of Sweden encumbered balance of its donation totaling US. \$99,755	Not provided
3	UNMIK Office of Mission Support should establish a system to ensure that the reporting requirements of donors are complied with.	Operational	High	C	Action completed	Implemented

1. C = closed, O = open

2. Date provided by UNMIK in response to recommendations.