



OIOS

Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

AUDIT REPORT

The United Nations Mine Action Service (UNMAS)

**UNMAS needs to improve internal controls in
human resources, finance and project
management to ensure effective and efficient
implementation of the mine action programme**

29 October 2009

Assignment No. AP2009/600/04

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. Alain Le Roy, Under-Secretary-General
A: Department of Peacekeeping Operations

DATE: 29 October 2009

Ms. Angela Kane, Under-Secretary-General
Department of Management

REFERENCE: IAD: 09- 03070

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



SUBJECT: **Assignment No. AP2009/600/04 - Audit of the United Nations Mine Action Service (UNMAS)**
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 2, 3, 4, 7 and 8 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. The Department of Management's response indicated that it did not accept recommendations 9, 10 and 11. In OIOS' opinion however, these recommendations seek to address significant risk areas. We are therefore reiterating them and requesting that you reconsider your initial response based on the additional information provided in the report.
4. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as high risk (i.e., recommendations 4 and 9), in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. Dmitry Titov, Assistant Secretary-General, DPKO
Mr. Anthony Banbury, Assistant Secretary-General, DFS
Mr. Maxwell Kerley, Director, United Nations Mine Action Service, DPKO
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, DM
Mr. Seth Adza, Chief, Audit Response Team, DFS
Mr. Byung-Kun Min, Programme Officer, OIOS
Ms. Eleanor Burns, Chief, Peacekeeping Audit Service, OIOS

INTERNAL AUDIT DIVISION

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).

CONTACT INFORMATION

ACTING DIRECTOR:

Fatoumata Ndiaye: Tel: +1.212.963.5648, Fax: +1.212.963.3388,
e-mail: ndiaye@un.org

CHIEF, PEACEKEEPING AUDIT SERVICE:

Eleanor Burns: Tel: +1.212.367.2792, Fax: +1.212.963.3388,
e-mail: burnse@un.org

EXECUTIVE SUMMARY

United Nations Mine Action Service

The Office of Internal Oversight Services (OIOS) conducted an audit of the United Nations Mine Action Services (UNMAS). The overall objective of the audit was to assess the adequacy and effectiveness of internal controls over UNMAS operations. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

Overall, UNMAS exercised adequate oversight of the mine action programme. UNMAS relies on its major implementing partner, the United Nations Office for Project Services to a great extent. Donors, the Department of Peacekeeping Operations, as well as UNMAS regularly commissioned outside experts to conduct evaluations of UNMAS programmes. These external evaluations show that both clients and donors are generally satisfied with the work of UNMAS.

UNMAS has taken steps to implement improvements as recommended in OIOS and other reports. However, there is a need to further strengthen internal control in human resources, finance and project management, as follows:

- Decisions made by the UNMAS Officer-in-Charge during the long-term absence of a Director, regarding staffing and the implementation of the proposed organizational structure did not fully comply with the UN staff selection procedures and lacked transparency adversely affecting staff morale;
- UNMAS diverted funds earmarked for mine action projects in the field to finance UNMAS posts in New York and Geneva;
- As of 1 June 2009, the annual work plan was not approved, and financial and other guidelines related to the UNMAS programme were not finalized; and
- UNMAS did not have delegated authority for financial management, and policies and procedures regarding the use of the operating reserve for the UNMAS Voluntary Trust Fund were unclear. These inefficiencies posed a potential risk for UNMAS operations and could delay the implementation of projects on the ground.

OIOS made recommendations to improve efficiency and strengthen internal controls. UNMAS has already taken steps to address the organizational structure and improve programme implementation.

TABLE OF CONTENTS

Chapter	Paragraphs
I. INTRODUCTION	1-6
II. AUDIT OBJECTIVES	7
III. AUDIT SCOPE AND METHODOLOGY	8-9
IV. AUDIT FINDINGS AND RECOMMENDATIONS	
A. Leadership and organizational structure	10-21
B. Programme and project management	22-31
C. Financial management	32-50
D. Follow-up on previous audit recommendations	51-52
V. ACKNOWLEDGEMENT	53
ANNEX 1 – Status of Audit Recommendations	

I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the United Nations Mine Action Service (UNMAS). The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. Established in 1997, UNMAS serves as the United Nations' focal point for mine action and to support the vision of a world free from the threat of landmines and explosive remnants of war, where individuals and communities live in a safe environment conducive to development, where the needs of victims are met, and where victims are fully integrated into their societies.

3. The UN mine action is conducted on the basis of General Assembly and Security Council resolutions, including the biennial General Assembly resolution on assistance in mine action, the most recent of which was adopted on 13 December 2007 (62/99). Fourteen different UN departments, agencies, funds and programmes provide various mine action services, and UNMAS helps coordinate their efforts. At the global level, UNMAS coordinates development of guidelines and standards approved by the Inter-Agency Coordination Group on Mine Action (IACG-MA), which reconfirms the role of UNMAS as focal point for mine action within the UN system.

4. UNMAS programmes are funded from three sources: the Voluntary Trust Fund (VTF), the assessed budget and the peacekeeping support account. As shown in Table 1, the total funds for UNMAS increased from \$147.6 million in 2007 to \$158.5 million in 2008, or an increase of 7.4 per cent. The VTF provided 59 per cent of mine action funds in 2008.

Table 1. Funding of UNMAS in 2007-2008 (in \$' 000,000)

Funds	2007	2008	2007 (%)	2008 (%)
Voluntary Contributions	92.9	92.5	62.9	58.4
Assessed Funds	53.8	65.0	36.5	41.0
Support Account Funds	0.9	1.0	0.6	0.6
Total	147.6	158.5	100.0	100.0

5. More than 50 per cent of the total amount received into the VTF in 2007 and 2008 was allocated to mine action programmes in Afghanistan and Sudan. In 2008, 51 per cent (\$46.8 million) and 26 per cent (\$24.4 million) of the VTF contributions were allocated to mine action programmes in Afghanistan and Sudan, respectively¹.

¹ Source: UNMAS 2008 Annual Report—Financial Performance

6. Comments made by UNMAS, the Department of Peacekeeping Operations (DPKO) and the Department of Management (DM) are shown in *italics*.

II. AUDIT OBJECTIVES

7. The main objective of the audit was to assess the adequacy and effectiveness of internal controls over UNMAS operations, as well as the implementation status of previous audit recommendations, in the following areas:

- (a) Compliance with the UN Financial Regulations and Rules and other policies and procedures; and
- (b) Efficiency and effectiveness of the funds' financial management.

III. AUDIT SCOPE AND METHODOLOGY

8. The audit covered financial and operational activities of UNMAS at Headquarters for the period from 1 January 2007 to 31 December 2008. OIOS assessed the effectiveness of internal controls over financial management of UNMAS, including the safe custody, reporting and disclosure of the funds' assets, the timeliness and allocations of contributions and the availability of related financial reports. Specifically, the audit examined financial compliance for ten partner-implemented projects.

9. The audit methodology included interviews with key personnel, review of relevant documentation, and analysis of data and testing of internal controls in audited areas of UNMAS operations.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Leadership and organizational structure

Circumvention of UN staff selection procedures and lack of transparency led to perceptions of unfair recruitment

10. Recruitment decisions made by UNMAS management lacked transparency and resulted in perceptions of unfair recruitment; inappropriate secondment of project staff from the field; and may have impacted the operational effectiveness of UNMAS field missions. OIOS found that UNMAS did not fully comply with UN staff selection procedures to advertise and fill the vacancies. Instead, UNMAS relied on its major implementing partner, the United Nations Office for Project Services (UNOPS), and temporarily assigned two project staff to New York and Geneva from UN mine action offices in the field.

11. Under the direction of an Officer-in-Charge (OIC), UNMAS implemented the following organizational and staffing changes:

- Established the Policy, Coordination, Information and Resource Management Section within UNMAS in New York and temporarily assigned the Liaison Officer formerly located in Geneva as the head of the section;
- Transferred a field project staff from the United Nations Mine Action Office (UNMAO) in Lebanon to the Liaison Office in Geneva; and
- Transferred a field project staff from the UNMAO in Sudan to Headquarters who was later recruited for a temporary post based in New York.

12. According to UNMAS, these changes were made to align UNMAS with UN Secretariat organizational structures and practices to: (1) improve the capacity and expanded role of the Geneva Office; (2) strengthen strategic planning at Headquarters; (3) bring experienced field staff to Headquarters; (4) realign duties and responsibilities; and (5) compensate for backstopping due to management vacancies.

13. OIOS is not questioning the need for these changes in order to enhance the structure of UNMAS and improve its strategic role as focal point for mine action. However, the procedures followed and the actions taken by management were not fully compliant with the UN staff selection rules and lacked transparency. In OIOS' opinion, the assignment of UNOPS project staff to New York and Geneva to carry out core functions was used to circumvent the UN staff selection rules and limit the number of potential candidates. The recruitment process was as follows:

(a) Transfer of project staff to New York

- In December 2007, the former OIC, UNMAS requested UNOPS to assign a mine action project staff from Sudan to Headquarters in New York, effective 1 March 2008. The purpose of the assignment was to help manage the mine action programme in Sudan, conduct planning activities, work on issues of Troop Contributing Countries deminers, review request for proposals for demining, participate in contract negotiations and backstopping of mine action programmes at UNMAS in New York.
- In July 2008, the OIC, UNMAS gave instructions to UNOPS to issue a vacancy announcement for the temporary recruitment of the Deputy Director Mine Action Service in Sudan/Deputy Programme Manager. The position however, was to be located in New York and not Sudan. A four-member panel composed of three UNOPS and one UNMAS staff interviewed three of the 13 applicants. The candidate selected and recommended by the panel was the project staff who had been assigned from UNMAO in Sudan in March 2008. This position continued, at the time of the audit, to be funded under a Memorandum of Agreement for the mine action activities in Sudan.

(b) P-5 post in Geneva

- Under the 2008 budget a P-5 post was approved for UNMAS office in Geneva. The post had remained vacant for at least 18 months. OIOS was informed that the post was not advertised because it has not been classified since the approval of the budget. In order to carry out the functions, a programme manager from Lebanon was assigned to Geneva on a temporary basis. The selected manager was regarded as the foremost authority on cluster munitions clearance due to his previous experience in Kosovo, and more recently in Lebanon.
- In a memorandum dated 17 November 2008, the former OIC, UNMAS stated the need to fill the Geneva post was urgent due to pressing issues related to the development of the new Convention on Cluster Munitions, and discussion regarding the Convention on Certain Conventional Weapons. It was also cited that UNMAS' role as the focal point at meetings was critical. Furthermore, the requirements exceeded UNMAS capacity and would likely continue for several months. As such, the post was extended every one or two months pending final decisions on staffing of the UNMAS Liaison Office in Geneva.

14. In OIOS' opinion, mine action experience may not be essential for the work conducted by these project staff because most of it relates to managing projects. Staff with these competencies could be sourced internally. Also, OIOS understands that the selected project staff may not have the required academic qualifications to meet the UN recruitment standards. If UNMAS believes that there is a need to recruit field staff with years of practical mine action experience to strengthen Headquarters oversight and programme management and that experience improves the field perspective in its strategic planning, UNMAS may wish to consult with the Office of Human Resources Management to seek some flexibility in recruitment of personnel requiring certain expertise to meet programme needs.

15. OIOS raised concerns regarding the adverse impact on the UNMAO Sudan operations when the Deputy Director of the office was assigned to Headquarters. UNMAS management stated that while there may be some impact on the Sudan project operations, another programme manager from UNMAO Sudan was assigned to serve as the Acting Deputy Director since March 2008.

Recommendations 1 to 3

DPKO and UNMAS should:

- (1) Ensure that recruitment for UNMAS staff at Headquarters is transparent and complies with the United Nations Secretariat staff selection procedures;**

(2) Consult with the Office of Human Resources Management to determine if any flexibility in academic qualifications can be granted in lieu of specialist skills and expertise in order to attract a qualified pool of candidates; and

(3) Ensure timely classification and advertisement of UNMAS posts.

16. *DPKO accepted recommendation 1 and stated that the assignment of one project staff to New York had been discontinued and the assignment of the Geneva staff will be discontinued as of 31 December 2009. Recruitment efforts to fill both posts are ongoing. DPKO asserted that staff morale was not significantly affected by the recruitment of staff at Headquarters, and that the managerial decisions adopted strengthened planning and were necessary to fill temporary operational gaps. Recommendation 1 remains open pending the recruitment and selection of regular incumbents for the vacant posts in New York and Geneva.*

17. *UNMAS accepted recommendation 2 and stated that on 9 July 2009, it submitted a memorandum to OHRM requesting guidance on the possibility of obtaining waivers of university degrees on an ad-hoc basis for those positions that required extensive field experience in order to broaden the pool of candidates. Based on the action taken by UNMAS, recommendation 2 has been closed.*

18. *DPKO accepted recommendation 3 and stated that since the new Director took office, UNMAS has been coordinating with the DPKO/DFS Executive Office to expedite the timely classification and filling of the outstanding UNMAS Headquarters' posts. Based on the action taken by UNMAS, recommendation 3 has been closed.*

Source of funding for UNMAS posts in New York and Geneva

19. *UNMAS amended its financial agreements with UNOPS to provide financing to fund project staff assigned to New York and Geneva. These funds were initially earmarked for project staff based in Sudan and Lebanon. According to UNOPS and UNMAS, a combination of funding sources were used to pay for the posts including assessed budget funds, earmarked and unearmarked funds. Authorized assessed budget funds were not utilized for more than 18 months. In OIOS' opinion, DPKO needs to ensure that UNMAS assessed budget funds are used as intended.*

20. *UNMAS' budget submissions to the Advisory Committee on Administrative and Budgetary Questions (ACABQ) were not fully transparent, as budget documents for the United Nations Mission in Sudan (UNMIS) and the United Nations Interim Force in Lebanon (UNIFIL) did not disclose the use and location of posts for UNMAS, which were in New York and Geneva respectively. The UNMIS budget indicated the total number of posts; however, ACABQ did not go into detail regarding mine action service posts. Instead, there*

is an acknowledgement in the budget documents that the mine action programmes in UNIFIL and UNMIS are implemented through UNOPS projects.

Recommendation 4

(4) DPKO should ensure that UNMAS uses the appropriate funding sources when assigning or recruiting staff for posts at Headquarters.

21. *DPKO accepted recommendation 4 stating that UNMAS will enforce the established procedures relating to the use of appropriate funding sources when assigning or recruiting staff for posts at Headquarters. Based on the action taken by UNMAS, recommendation 4 has been closed.*

B. Programme and project management

UNMAS 2009 work plan's approval needed to ensure alignment with mandate

22. As of 1 June 2009, the annual work plan of UNMAS was not approved. While the final draft version of the 2009 work plan was prepared, a date for the issuance of the work plan document had not been established. According to UNMAS, the delay in finalizing the plan was due to the absence of the Director, who was appointed to UNMAS in March 2009.

23. The lack of a formal work plan for 2009 may result in unclear instructions to programme managers in the performance of their duties and therefore increases the risk that programmes may not be conducted effectively and in line with set requirements.

Recommendation 5

(5) UNMAS should without delay approve the 2009 work plan in order to ensure that clear guidance and instructions on implementation of demining programmes are in place and are aligned with the UNMAS mandate.

24. *UNMAS accepted recommendation 5 stating that the 2009 work plan is in the final stage of approval subsequent to the major redistribution of the portfolio of UNMAS Programme Officers. Recommendation 5 remains open pending receipt of the approved 2009 UNMAS work plan.*

The Handbook for Mine Action Programming needs to include the methodology for the new risk-based approach for the technical assessment of programmes

25. UNMAS is in the process of implementing a methodology for the new risk-based approach for the technical assessment of demining programmes. Through this process, UNMAS has addressed the need to take into consideration the specificities of each location (e.g. political, interaction with local authorities, etc). This will require a certain level of flexibility in the approach. UNMAS staff recently took training and will need time to understand and implement the risk-

based approach. In OIOS' opinion, there is a need to revise the Handbook for Mine Action Programming to include the methodology for the new risk-based approach for technical assessment missions.

Recommendation 6

(6) UNMAS should revise the Handbook for Mine Action Programming by including the risk-based approach for the technical assessment of demining programmes and ensure that project staff apply the methodology in the assessment of the programmes.

26. *UNMAS accepted recommendation 6 and stated that the risk-based approach for the technical assessment of programmes will be included in the next revision of the Handbook for Mine Action Programming, which is updated semi-annually. Recommendation 6 remains open pending receipt of the next semi-annual revision of the Handbook for Mine Action Programming.*

Need to obtain UNOPS audit reports on mine action projects

27. The UNOPS Internal Audit Office planned to conduct audits of UNMAS mine action projects as part of their risk-based audit plan for 2009. In OIOS' opinion, UNMAS should coordinate with UNOPS for the monitoring of mine action projects and request copies of all reports issued by UNOPS on the results of audits of mine action projects. This will provide UNMAS with additional information to strengthen its monitoring and management of mine action projects implementation in the field.

Recommendation 7

(7) UNMAS should coordinate with the United Nations Office for Project Services (UNOPS) in monitoring of the implementation of mine action projects and request copies of the audit reports issued by UNOPS on mine action projects.

28. *UNMAS accepted recommendation 7 and stated that UNMAS had put the necessary arrangements in place for the sharing of UNOPS internal audit reports on mine action projects. Based on the action taken by UNMAS, recommendation 7 has been closed.*

Use of ProFi to improve project and programme management

29. In May 2009, UNMAS implemented a software application, the Programme Financial Management Software (ProFi) to improve its oversight and monitoring of mine action programmes. ProFi was developed by the United Nations Office on Drugs and Crime (UNODC) and is used by other UN agencies for its programme management capabilities. ProFi interfaces with the Integrated Management Information System (IMIS) and provides for the centralization of project data. It enables programme managers to readily access information regarding the status of projects and funding against targets.

30. In OIOS' opinion, the consideration of any future developments and investment in the ProFi system need to take into account the following three critical factors: (1) ability to interface with the new UN-wide Enterprise Resource Planning (ERP) system; (2) full compliance with the International Public Sector Accounting Standards (IPSAS); and (3) reduction in multiplicity of accounting systems. The current ProFi system is a flexible product that already interfaces with IMIS and the United Nations Development Programme's (UNDP) PeopleSoft-based Atlas ERP system. It is necessary for UNMAS to determine if the functionality of ProFi will be a part of the UN-wide ERP system and also the expected time frame for implementation.

Recommendation 8

(8) DPKO should ensure that ProFi is included in the inventory of applications during the design and development of the Enterprise Resource Planning (ERP) system and determine if the ERP will include similar functionality and time frame for implementation.

31. *DPKO accepted recommendation 8 and stated that UNMAS coordinated with UNODC during the early development phase of ProFi to have this application included in the ERP inventory. UNMAS will follow up on this issue with the Department of Management. Based on the action taken by UNMAS, recommendation 8 has been closed.*

C. Financial management

Delegation of authority

32. UNMAS established a Finance Unit to strengthen its capacity to manage and have oversight of both its assessed and extrabudgetary financial resources. In the OIOS report AN2007/600/1 dated 21 January 2008, it was recommended that UNMAS be given the delegation of authority for financial management. At the time of the audit, UNMAS still did not have the delegated authority. OIOS found that the lack thereof contributed to delays in the timely processing of instalment payments for projects and added an additional layer in the review process because all financial transactions must go through the DPKO Executive Office for approval. In some instances, the process took more than two months. Furthermore, in most cases it is UNMAS staff that has to provide explanations regarding inquiries that arise from the Office of Programme Planning, Budget and Accounts (OPPBA).

33. In OIOS' opinion, the lack of a delegation of authority impacts the timeliness of project execution. For example, UNMAS submitted to the DPKO Executive Office a request for a payment related to the fourth instalment for a mine action project in Sudan². According to UNMAS, a request was submitted

² Integrated Mine Action Intervention in Support of Return and Development in Blue Nile State in Sudan funded from the Voluntary Trust Fund for Assistance in Mine Action.

to DPKO on 26 February 2009. However, the disbursement of funds was not made until 27 March 2009. In another case, a request for payment was submitted in March 2009, and the processing thereof was completed in June 2009. OIOS also noted that the UNMAS Finance Unit was often unaware of insufficient balances for existing projects because of limited access to IMIS.

34. OIOS reiterates its previous recommendation that DPKO should request DM to grant UNMAS the delegation of authority for financial management to streamline processing of instalment payments for mine action projects; particularly as UNMAS has strengthened its capacity to manage financial resources.

Unclear procedures for the use of the Trust Fund Operating Reserve

35. ST/SGB/188 dated 1 March 1982 defines the Trust Fund Operating Reserve as a sum set aside within the cash resources of trust funds to cover any delays in payments of pledged contributions and to be used to meet the final expenditures of the trust fund activities, including liquidating liabilities. Under the terms of ST/AI/284 dated 1 March 1982 and ST/AI/286 dated 3 March 1982, the applicable percentages are normally established at 15 per cent and 20 per cent for general trust funds and programme support accounts respectively.

36. The Controller's memorandum dated 28 March 2005 states that "in practice, a variety of methods of calculating the operating reserve are currently being used when issuing allotments or allocations. While in some cases the operating reserve is calculated as a percentage of annual funding documents issued to date, in other cases, the percentage is applied to the amount issued for the fiscal period (i.e., cumulating to a biennial amount in the second year of the biennium)."

37. According to UNMAS, in January 2009, UNMAS' trust fund had a negative balance of \$9.3 million. Although there was a significant balance in the reserve (\$16.2 million), it was not clear to UNMAS or the DPKO Executive Office whether funds from the reserve should be released as a result of delayed contributions or because of a negative balance in the UNMAS trust fund. According to OPPBA, if a negative balance caused project delays, the matter would be addressed by using the reserve. However, OIOS noted that the reserve had never been used by UNMAS. In OIOS' opinion, there is a risk of curtailing project implementation in the field, as future allotments may not be processed due to a negative balance in UNMAS' trust fund and the lack of reporting by OPPBA on the amount of funds in the operating reserve, as well as a lack of delegated authority for UNMAS as discussed in paragraphs 32 and 33 above.

38. OIOS also noted that UNMAS did not know whether operating reserve funds were released annually or at the end of the biennium. In addition, the percentage withheld for the reserve was not transparent and it was not clear on what basis it had been defined. The UNMAS Finance Unit made several inquiries to OPPBA regarding the amount of the reserve. Only after the Finance Unit obtained an IMIS print screen was it able to calculate the percentage being withheld as an operating reserve.

Operating reserve may be excessive

39. Another concern was whether or not the amount of the reserve was excessive given the potential liabilities faced by UNMAS. UNMAS projects are implemented by UNOPS, and the only liability UNMAS has is for the severance pay for 22 staff located at Headquarters in New York and in Geneva if the programme was shut down. This is significantly lower than the \$16.2 million in the operating reserve. In OIOS' opinion, this condition also creates a reputation risk for the Organization, as donors may be concerned that funds they are providing are set aside potentially jeopardizing project implementation.

Recommendations 9

(9) DM should determine whether the purposes of the operating reserve for UNMAS are still relevant and whether the amount of the reserve is excessive given the potential programme contingencies.

40. *DM did not accept recommendation 9 stating that the trust fund operating reserve is governed by the provisions of ST/SGB/188 and ST/AI/284, which are applicable to all general trust funds. The operating reserve for trust funds is normally calculated on the basis of 15 per cent of annual funding documents issued to date. As such, there is a zero balance of reserve for each trust fund at the beginning of the year. In OIOS' opinion, DM's comments do not address the issue raised by recommendation 9. There is a need to review the relevance of the reserve, as UNMAS has never used it in the past, as well as the percentage (20 per cent, not the normal 15 per cent as indicated in DM's comments) withheld from voluntary contributions particularly given the contingencies associated with UNMAS, and the age of the Secretary-General's Bulletin and the Administrative Instruction (both issued in 1982), which govern the trust fund operating reserve. In OIOS' view, this recommendation is timely given that DM is in the process of reviewing the operating reserve policy and guidelines as part of the trust fund management reform. OIOS is therefore reiterating recommendation 9, which will remain open pending review of the relevance of the amount withheld from UNMAS for the operating reserve considering UNMAS' contingencies associated with the trust fund.*

Recommendations 10

(10) DM should revise the operating reserve policy to clarify whether programme reserves are released annually or at the end of the biennium, and include clear procedures for programme managers to have expedient access to the operating reserve when needed.

41. *Although DM stated that it did not accept recommendation 10, it made a general comment that the trust fund operating reserves policy and guidelines*

were in the process of being reviewed as part of the trust fund management reform. DM further stated that with regard to the VFA in Mine Action, there was always a sizeable fund balance. DM was not aware of any negative fund balance in January 2009, during which several funding allotments were issued. The \$16.2 million reserve showed in January 2009 reflected the calculation based on funding documents in 2008 due to the pending closure of accounts as of 31 December 2008. A review of records revealed an operating reserve balance of \$2.9 million in February 2009. DM's comments do not address the recommendation which relates to the need to revise the policy and procedures of the operating reserve. Based on the memorandum issued by DM on 28 March 2005, the operating reserve can be released either annually or biannually. However, neither the policies nor the memorandum provided procedures on how to access data from the operating reserve fund. OIOS found that UNMAS' requests for information regarding the amount of the reserve and how to gain access to the funds were not answered. Instead, UNMAS calculated that \$16.2 million was the amount in the reserve based on other financial information obtained from IMIS. OIOS is therefore reiterating recommendation 10, which will remain open pending receipt of the results of the review of the trust fund operating reserve policy.

Recommendation 11

(11) DM should prepare periodic reports to inform programme managers and donors of the operating reserve amount and the remaining trust fund balance for UNMAS programmes, or make the information readily available to programme managers.

42. *DM did not accept recommendation 11 stating that in accordance with established procedures, should there be a situation where there are insufficient funds due to operating reserves, the relevant programme manager is consulted by the Programme Planning and Budget Division (PPBD) with a view to identifying a solution and ensuring smooth programme implementation. In fact, the question of level of trust fund operating reserves has been discussed with UNMAS and other programme managers in the past, the outcome of which is one the reasons the reserve is currently based on annual funding documents. It should be noted that information on the level of the reserve is readily available to programme managers on request. UNMAS confirmed that requests for information were not addressed by DM, and UNMAS had difficulties in obtaining data related to the operating reserve, and therefore, in OIOS' opinion, there is a need for a written procedure for access to data concerning the reserve. OIOS is therefore reiterating recommendation 11, which will remain open pending issuance of written procedures on access to data concerning the trust fund operating reserve.*

Financial reporting requirements

43. It is a requirement that implementing partners comply with financial provisions laid out in the Memorandum of Agreement (MOA) or grant agreement. Therefore, they have to ensure that an audit report is issued for

completed mine action projects. However, OIOS noted that audit reports were not always received by UNMAS or, in some instances, were long overdue. For the ten sampled projects, five instances of non-compliance with the reporting requirements were noted.

44. According to UNMAS, it is not always cost effective for implementing partners to arrange audits of financial statements specifically for UNMAS funds, given the dollar value of the project. Instead, some partners provide audit reports conducted during the normal course of their audit cycle which does not always correlate with the completion of the UNMAS project, or adequately disclose that UNMAS projects have been specifically included in the audit scope. Therefore, there is insufficient assurance that the UNMAS funds have been used as outlined in the grant agreement.

45. The lack of audit reports was addressed in the OIOS report dated 21 January 2008 (AN2007/600/1), which relates to the audit of the financial management of the VTF. Although UNMAS management assured OIOS that appropriate action had been taken, OIOS found that audit reports received were still not in accordance with the grant agreement. In OIOS' opinion, UNMAS has to address this issue with the implementing partners and, based on an assessment, explore the possibility to revise the MOA or grant agreement to allow the partners, where warranted, to submit the global financial statements' audit reports during their audit cycle.

Recommendations 12 and 13

UNMAS should:

(12) Ensure that the implementing partners strictly adhere to financial report requirements established in the Memorandum of Agreement or grant agreement; and

(13) Consider revising the Memorandum of Agreement to include the provision that, when it is not cost effective for the implementing partners to comply with the standard financial report requirements, they can be allowed to submit audited financial statements during their normal audit cycle.

46. *UNMAS accepted recommendation 12 stating that it will put in place appropriate measures to ensure that the implementing partners strictly adhere to financial report requirements established in the MOA or grant agreement. Recommendation 12 remains open pending receipt of evidence showing the measures that UNMAS has established to ensure that implementing partners adhere to financial report requirements established in the MOA or grant agreement.*

47. *UNMAS accepted recommendation 13 and stated that the standard MOA entered into with Non-Governmental Organizations (NGOs) was currently under revision in order to include the provision that, when it is not cost effective for the implementing partners to comply with the standard financial reporting*

requirements, they can be allowed to submit audited financial statements during their normal audit cycle providing some level of assurance that the funds have been used as intended. Recommendation 13 remains open pending receipt of the revised standard MOA document.

Financial policies and procedures

48. The UNMAS Finance Unit is comprised of two professionals and two general service staff. Finance personnel are guided by the UN Financial Regulations and Rules in carrying out their responsibilities for the funds. The United Nations Finance Manual, the Trust Fund Desktop Procedures, and various other administrative instructions also provide supplemental guidance for the finance functions as they relate to UNMAS financial management.

49. However, OIOS noted that formal documentation of financial policies and procedures has not been finalized and, as of June 2009, were still in a draft version. The Handbook for Mine Action Programming was last updated in 2004. This increases the risk that operations may not be carried out based on current financial, operational and project management requirements.

50. An OIOS report (AN2007/600/1) issued in 2008 recommended that UNMAS finalize the Finance Module and include it in the Handbook for Mine Action Programming. In response to OIOS follow-up inquiries, UNMAS had stated that it expected to implement the recommendation by 15 August 2008. OIOS reiterates the recommendation that UNMAS finalize the Handbook for Mine Action Programming and include the Financial Module.

D. Follow-up on previous audit recommendations

51. OIOS conducted an audit of the Financial Management of Voluntary Trust Fund for Mine Action in 2007 (AN2007/600/1) and an audit of UNMAS in 2004 (AP2003/600/1). As part of the current audit, OIOS followed up on the status of recommendations issued during prior audits and found that most of recommendations made in these two reports had been implemented or remedial action initiated.

52. UNMAS implemented recommendations concerning a cost benefit analysis of UNOPS support, the disbursement of funds to implementing partners, receipt of quarterly financial reports from implementing partners, and tracking donor contributions. Recommendations regarding the delegation of authority to UNMAS, timely reconciliation of advances to implementing partners, ageing of accounts receivable and collection of long outstanding receivables were in the process of implementation.

V. ACKNOWLEDGEMENT

53. We wish to express our appreciation to the Management and staff of UNMAS, DPKO, and DM 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 ¹	Actions needed to close recommendation	Implementation date ²
1	DPKO and UNMAS should ensure that recruitment for UNMAS staff at Headquarters is transparent and complies with the United Nations Secretariat staff selection procedures.	Human Resources	Moderate	O	Recruitment and selection of vacant posts in New York and Geneva.	Not indicated
2	DPKO and UNMAS should consult with the Office of Human Resources Management to determine if any flexibility in academic qualifications can be granted in lieu of specialist skills and expertise in order to attract a qualified pool of candidates.	Human Resources	Moderate	C	Action completed	Implemented
3	DPKO and UNMAS should ensure timely classification and advertisement of UNMAS posts.	Human Resource	Moderate	C	Action completed	Implemented
4	DPKO should ensure that UNMAS uses the appropriate funding sources when assigning or recruiting staff for posts at Headquarters.	Financial Management	High	C	Action completed	Implemented
5	UNMAS should without delay approve the 2009 work plan in order to ensure that guidance and instructions on implementation of demining programmes are in place and are aligned with the UNMAS mandate.	Operational	Moderate	O	Receipt of the approved 2009 Work Plan.	31 December 2009
6	UNMAS should revise the Handbook for Mine Action Programming by including the risk-based approach for the technical assessment of demining programmes and ensure that project staff apply the methodology in the assessment of the programmes.	Operational	Moderate	O	Receipt of the next semi-annual revision of the Handbook on Mine Action Programming.	31 December 2009

Recom. no.	Recommendation	Risk category	Risk rating	C/O	Actions needed to close recommendation	Implementation date ²
7	UNMAS should coordinate with the United Nations Office for Project Services (UNOPS) in monitoring the implementation of mine action projects and request copies of the audit reports issued by UNOPS on mine action projects.	Operational	Moderate	C	Action completed	Implemented
8	DPKO should ensure that ProFi is included in the inventory of applications during the design and development of the Enterprise Resource Planning (ERP) system and determine if the ERP will include similar functionality and time frame for implementation.	Operational	Moderate	C	Action completed	Implemented
9	DM should determine whether the purposes of the operating reserve for UNMAS are still relevant and whether the amount of the reserve is excessive given the potential programme contingencies.	Financial Management	High	O	Reconsideration by the client of the recommendation and review of relevance of the amount withheld from UNMAS for the operating reserve considering UNMAS' contingencies associated with the trust fund.	Not Provided
10	DM should revise the operating reserve policy to clarify whether programme reserves are released annually or at the end of the biennium, and include clear procedures for programme managers to have expedient access to the operating reserve when needed.	Financial Management	Moderate	O	Reconsideration by the client of the recommendation and receipt of the results of the review of the trust fund operating reserve policy.	Not Provided
11	DM should prepare periodic reports to inform programme managers and donors of the operating reserve amount and the remaining trust fund balance for UNMAS programmes, or make the information readily available to programme managers.	Financial Management	Moderate	O	Reconsideration by the client of the recommendation and issuance of written procedures on access to data concerning the trust fund operating reserve.	Not Provided
12	UNMAS should ensure that the implementing partners strictly adhere to financial report requirements established in the Memorandum of Agreement or grant agreement.	Financial Management	Moderate	O	Receipt of evidence showing the measures that UNMAS has put in place to ensure that implementing partners adhere to financial report requirement established in the MOA or grant agreement.	31 March 2010

Recom. no.	Recommendation	Risk category	Risk rating	C/ O ¹	Actions needed to close recommendation	Implementation date ²
13	UNMAS should consider revising the Memorandum of Agreement to include the provision that, when it is not cost effective for the implementing partners to comply with the standard financial reporting requirements, they can be allowed to submit audit financial statements during their normal audit cycle.	Financial Management	Moderate	O	Receipt of revised MOA document.	31 March 2010

1. C = closed, O = open

2. Date provided by UNMAS, DPKO and DM in response to the recommendations