



Reference: AUD 7-1:9 (0915/2004)

9 November 2004

To: Mr. Jean-Marie Guehenno, Under Secretary-General
Department of Peacekeeping Operations

From: Patricia Azarias, Director
Internal Audit Division I
Office of Internal Oversight Services

A handwritten signature in cursive script that reads "P. Azarias".

Subject: **OIOS Audit No. AP2003/600/01: The United Nations Mine Action Service**

1. I am pleased to present herewith the final OIOS report on the audit of the United Nations Mine Action Service, which was conducted at Headquarters. The report incorporates the comments of your offices as indicated in italics.

2. Based on the comments, we consider that recommendations 2, 3, 6 to 12, 17, 18, 20 to 24 have been accepted. Each of these recommendations remains open in OIOS' database pending receipt of documentation described in the text of the report following the recommendation. OIOS reiterates recommendations 1, 4, 5, 13 to 16, 19 and parts of 25 and urges UNMAS and OPPBA to reconsider them in light of the additional information provided. The reiterated recommendations will be closed in OIOS database pending receipt of evidence showing proper alternatives to mitigate the risks that these recommendations seek to address.

3. The Internal Audit Division is assessing the overall quality of its audit process. I therefore kindly request that you consult with your managers who dealt directly with the auditors to complete the attached client satisfaction survey form.

4. I would like to take this opportunity to thank you and your staff for the assistance and co-operation provided to the auditors on this assignment.

Copy to: Ms. Jane Holl Lute, Assistant-Secretary General, OMS/DPKO
Mr. Martin Barber, Director, UNMAS
Mr. Jean-Pierre Halbwachs, Assistant Secretary-General, Controller
UN Board of Auditors



United Nations
OFFICE OF INTERNAL OVERSIGHT SERVICES
Internal Audit Division I

A large, circular, grayscale graphic of a globe, showing the continents and oceans, serving as a background for the title.

Final Audit Report

Audit subject: Audit of the United Nations Mine Action Service
Audit No.: AP2003/600/01
Report date: 9 November 2004
Audit team: B. Tarleh Nyema, Auditor-in-Charge
Jennifer Pereira, Assisting Auditor

List of Acronyms

CAP	Consolidated appeal process
CRV	Cash Receipt voucher
DPKO	Department of Peacekeeping Operations
FALD	Field Administrative Logistics Division
GICHD	Geneva International Centre for International Demining
IACG	Inter-Agency Coordination Group
IMIS	Integrated Management Information Systems
IOV	Inter-office voucher
MACCs	Mine Action Coordination Centres
MASG	Mine Action Support Group
NGOs	Non-Governmental Organizations
OIOS	Office of Internal Oversight Services
OMS	Office of Mission Support
OPPBA	Office of Programme Planning, Budget and Accounts
SCMA	Steering Committee on Mine Action
UNAMSIL	United Nations Mission in Sierra Leone
UNFICYP	United Nations Peacekeeping Force in Cyprus
UNMAS	United Nations Mine Action Services
UNOPS	United Nations Office for Project Support
UNPF	United Nations Peace Force
UNPROFOR	United Nations Protection Force
UXO	Unexploded Ordnances
VTF	Voluntary Trust Fund

AUDIT OF THE UNITED NATIONS MINE ACTION SERVICE (AP2003/600/01)

Executive Summary

The United Nations Mine Action Service (UNMAS or the Service) coordinated the development of mine action policy and guidelines within the UN System as intended. UNMAS also made strides in developing appropriate systems and implementing measures for collecting and disseminating information on mines and unexploded ordnances (UXO) worldwide. While OIOS acknowledges UNMAS' achievements as set out below, a number of issues need to be addressed. OIOS believes that by addressing these issues, UNMAS will be in a better position to efficiently and effectively fulfil its mandate.

- UNMAS needs to institute proper organizational arrangements to ensure effective contribution forecasting, monitoring of contribution performance against forecasts, and coordination and reporting of resource mobilization activities within the United Nations.
- UNMAS did not undertake any of the 10 inter-agency threat assessment missions scheduled for 2002 and 2003. These missions were intended to define the scope and nature of the landmine problem in affected countries and serve as the foundation for a comprehensive UN response.
- The use of the United Nations Office for Project Support (UNOPS) to provide administrative support to mine action coordination centres (MACCs) in countries where there are peacekeeping missions did not result in cost-effective mine action programmes. In OIOS' view, the Office of Mission Support of the Department of Peacekeeping Operations and the concerned peacekeeping missions are in a better position to provide the services outsourced to UNOPS at lower cost. In 2002 and 2003, UNMAS allocated more than \$0.86 million in support fees to UNOPS in respect of four programmes implemented in countries where there were peacekeeping missions. UNMAS' use of UNOPS to provide technical support to MACCs results in duplication of effort since UNMAS already provides some of the same services.
- Although more than 90 per cent of extra-budgetary resources were disbursed to implementing partners (i.e. NGOs and UN agencies) in the form of advances and grants, UNMAS needs to implement adequate monitoring activities to ensure proper accountability by implementing partners. The Service needs to consistently obtain the required outputs from implementing partners or ensure that implementing partners are audited as required. There was also no evidence that the outputs received were adequately reviewed.
- The number of allotments processed by UNMAS was excessive, overextending programme officers who should be focussing on substantive programme matters. The Service could lower the yearly average of about 100 allotments to not more than 6 if the basis for initiating allotments were changed.

The following recommendations are among those considered critical by OIOS:

- UNMAS should use the resource mobilization officer post for the intended purpose. The Service should implement concrete measures aimed at controlling resources mobilized by implementing partners.
- UNMAS should schedule and implement concrete activities aimed at persuading the governments of mine-affected countries to request inter-agency threat assessment missions.
- In order for programme officers to focus on substantive programme matters, UNMAS and OPPBA should take steps aimed at substantially reducing the number of allotments issued. UNMAS should also obtain delegated authority to enter into agreements with implementing partners.
- UNMAS should take steps to substantially reduce the need for UNOPS to provide technical and administrative support to mine action programmes in the field.
- In order to ensure that mine action programmes are adequately supervised, UNMAS should schedule technical missions on the basis of risk assessment taking into consideration the available resources.
- UNMAS should make use of audits of implementing partners to improve the quality of its resource allocation decisions, and to strengthen its monitoring activities.
- UNMAS should expedite the completion of the Mine Action Programming Handbook to ensure proper monitoring of mine action programmes in the field.

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I. INTRODUCTION

1. OIOS conducted an audit of the United Nations Mine Action Service (UNMAS) in accordance with the standards for the professional practice of internal auditing in United Nations organizations.

2. The UNMAS was established in October 1997 to serve as the United Nations' focal point for mine action activities that are implemented at both the global and field levels. At the global level, UNMAS' primary roles are to: (a) coordinate the development of guidelines and standards, coordinating the elaboration and monitoring of the United Nations Mine Action Policy and five-year mine action strategy, (b) collect and disseminate appropriate information (c) mobilize financial and technical resources, and (d) conduct resource mobilization activities within the UN System. At the field level, UNMAS implements and supports projects in the areas of landmine impact surveys, mine clearance, victim assistance, advocacy in support of a total ban on antipersonnel landmines, stockpile destruction, and mine risk education. These projects are implemented by NGOs and UN agencies and departments under the direct supervision of mine action coordination centres/cells (MACCs) established by UNMAS in the mine-affected countries. UNOPS provides administrative support to the MACCs and thus serves as the conduit for disbursing salaries and paying vendors of goods and services. As of 31 December 2003, UNMAS has executed 199 agreements and addenda with implementing partners at an estimated cost of \$113.4 million since its establishment. These include 36 memoranda of agreement with UNOPS at an estimated cost of \$60 million, 76 basic agreements with other UN agencies at an estimated cost of \$22.3 million, and 87 basic agreement documents with NGOs, including 60 in Afghanistan, at an estimated cost of \$31.1 million.

3. In 1994, the Secretary-General established the Voluntary Trust Fund for Assistance in Mine Action (VTF) to provide resources for mine action where other sources of funding are not immediately available. The VTF has received approximately \$125.3 almost exclusively from member states and the European Union. Approximately \$75 million (60 per cent) of this amount was received during the biennium 2002/2003. UNMAS, in concert with the Office of Programme Planning, Budgets and Accounts, and the Department of Peacekeeping Operations/Executive Office, is responsible for managing the VTF and reporting to donors.

4. A draft of the present report was transmitted to the Department of Peacekeeping Operations for review. Their comments have been incorporated in the report and are shown in italics.

II. AUDIT OBJECTIVES

5. The objectives of the audit were to:

a) Determine if UNMAS' responsibility to coordinate mine action activities within the UN system have been clearly defined and effectively implemented,

- b) Assess if mine action programmes and projects have been properly planned and implemented as intended, and
- c) Determine if adequate internal controls have been implemented regarding the mobilization, accounting and reporting of mine action resources.
- d) Follow up on a previous OIOS audit recommendation (AP97/124/6).

III. AUDIT SCOPE AND METHODOLOGY

6. The audit covered the biennium 2002/2003 and focused on UNMAS' coordination of mine action activities within the UN, project/programme planning, execution, and monitoring. The audit involved analytical reviews, interviews, and physical verification.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Coordination of mine-action activities within the UN System

7. In OIOS' opinion, UNMAS successfully coordinated the development of mine action policy and guidelines within the UN System as intended. Appropriate organizational arrangements were in place to ensure the development of coherent policy and guidelines. Under the chairmanship of UNMAS, an Inter-Agency Coordination Group (IACG) reviews draft policies and the Steering Committee on Mine Action (SCMA) approves them. In partnership with the Geneva International Centre for International Demining (GICHD), UNMAS also made strides in developing appropriate systems and implementing measures for the collection and dissemination of information on mines and unexploded ordnances (UXO) worldwide. However, the Service needed to make improvements in the areas of resource mobilization and their coordination within the UN system.

Resource mobilization

8. UNMAS implements a collaborative process involving United Nations mine partners as well as national authorities and NGOS. The outcome of this process is the Portfolio of Mine-Related Projects which is posted on the website. An inter-agency working group and network of UNMAS-coordinated field staff are involved in preparing and monitoring Portfolio.

9. Whilst it was evident that lots of efforts have been spent in preparing the Portfolio, UNMAS was not able to provide any tangible evidence of a revenue forecast and of the monitoring of revenue performance against the forecast. Revenue forecasts should be more realistic than the Portfolio of Mine-Related Projects, which OIOS views as the equivalent of resource requirements since it primarily reflects the needs expressed by programme personnel (i.e. members of the inter-agency working groups and UNMAS field staff). Revenue forecasts should instead be based on, *inter alia*, historical revenue performance by source and expectations of additional contributions that will result from new initiatives. A proper monitoring system should

match contributions received by source against the forecasts and against specific projects contained in the Portfolio. Together, these activities should result in quick identification of funding gaps and in refocusing of programme resources towards mobilizing resources to close specific funding gaps.

10. Some donors necessarily make contributions direct to some United Nations mine action partners (e.g. UNICEF) and perhaps national authorities and NGOs often in response to the Portfolio. In order to make accurate presentation to donors on the needs and extent of contributions received on thus boost support for United Nations mine activities, UNMAS needs to accurately capture these contributions and properly match them against specific projections contained in the Portfolio of Mine Action Projects and against its own revenue forecast. UNMAS encourages donors to update the interactive web-based mine-action investments database whenever they make contribution to mine action projects. In addition, UNMAS' agreements with executing agencies require the latter to report to UNMAS any funds received direct from donors. However, the Service can never be sure about the accuracy of the database since it has no control over the adequacy of donors' input procedures. The Service also did not have any procedures to ensure that executing agencies accurately report amounts received direct from donors.

Recommendation 1

UNMAS should periodically request donors to confirm in writing the accuracy of information contained in the interactive web-based mine-action investments database regarding their contributions to UN mine action programmes irrespective of whether the contributions were through the Voluntary Trust Fund (AP2003/600/01/01).

11. UNMAS did not concur with recommendation AP2003/600/01/01 indicating that *it is inappropriate and impractical to ask donors to confirm in writing the accuracy of information provided by donors themselves for the mine action donor investment database. Donors have no obligation to provide such data. The database cannot become a vehicle for UNMAS to monitor direct contributions to implementing agencies.* OIOS observed that donors are interested in improved accountability of their contributions. As a result, they routinely communicate with UNMAS and OPPBA through facsimiles, telephones, etc to confirm if their contributions have been received and promptly allocated to earmarked projects. Prior to the current audit, program officers spent disproportionate amount of time communicating with donors on these matters. A periodic confirmation exercise, in OIOS' view, will increase donors' confidence in UNMAS' accountability and thus boost contributions to mine action activities. OIOS reiterates recommendation AP2003/600/01/01.

12. UNMAS matches contributions towards the costs (also referred to as *costs of coordination or core operating costs*) of its own operations at headquarters and in the field. However, these costs represented less than five per cent of the total requirements presented in

Portfolio and in the cost plan. Therefore, more than 90 per cent of contributions received are not matched against amounts presented in the Portfolio and the cost plan. UNMAS explained that *the presentation of information in the cost plan on the cost of operations in the field other than costs of coordination or core operating costs is not required for purpose of obtaining allotments, which is the primary reason for a cost plan.* However, OIOS found that the administrative instructions on the management of the general trust fund (ST/AI/284 dated 1 March 1982) of which contributions received by UNMAS are part make no distinction between “costs of coordination or core operating costs” and the “cost of operation in field”. In addition, OPPBA scrutinizes and approves all allotments and disbursements from the Fund. Therefore there is a need for consistency in the level of controls implemented.

13. In order to implement proper revenue forecasting, monitoring of revenue performance against forecasts effective coordination of resource mobilization activities within the UN System, the Service needs a resource mobilization officer. The role of the resource mobilization officer post allocated to UNMAS needs to be properly defined to include these key tasks and other tasks that should be performed by the incumbent of the post. OIOS observed that the post had been dedicated to resources management – mainly allotment and disbursement processing leaving no time for resource mobilization and monitoring. Therefore, programme officers who should focus on program supervision and monitoring were instead involved in administrative functions relating to resource mobilization – including drafting memoranda of understanding for new contributions and communicating with donors on pledges and contributions received.

14. The organizational chart appended to the proposed 2004 cost plan provides for two finance related posts - a trust fund manager and a finance officer in addition to the already existing post for a resource mobilization officer. Under the new structure, the resource mobilization function will be assigned to the Policy, Information and Resource Mobilization Section which is also responsible for resource management. While OIOS recognizes the importance of creating a proper unit for resource management, the responsibilities for resource mobilization should be clearly defined and delineated to ensure their effectiveness and accountability.

Recommendation 2

UNMAS should clearly define the functions of the resource mobilization officer to include areas such as revenue forecasting, monitoring of revenue performance against forecast, execution of innovative resource mobilization activities that include private donations, and coordination of resource mobilization activities implemented by other UN agencies (AP2003/600/01/02).

15. UNMAS accepted recommendation AP2003/600/01/02. OIOS will close the recommendation in its database after receiving satisfactory evidence that the post for resource mobilization officer post has been properly reclassified.

Recommendation 3

UNMAS should ensure that programme officers are relieved of the administrative responsibilities of participating in resource mobilization (AP2003/600/01/03).

16. UNMAS concurred with recommendation AP2003/600/01/03 and indicated it has already implemented it. The recommendation pertains to ongoing operational matters. Therefore, it will remain in OIOS' database until the next audit of UNMAS.

Inadequate control over contributions received in the field

17. The UN Financial Regulations and Rules authorize the Controller to negotiate and accept all contributions (cash and in-kind) to the General Trust Fund which includes the Voluntary Trust Fund. Accordingly, the Controller negotiates and accepts all cash contributions made to the Voluntary Trust Fund for mine action. However, without proper delegation of authority from the Controller to UNMAS, the service agreements with UNOPS give the latter the authority to negotiate and accept in-kind contributions from donors. OIOS also noted that some MACCs (established to represent UNMAS in the field), are involved in resource mobilization activities without any delegation of authority. To that end, the UN Mine Action Programme in Afghanistan reported receiving approximately 72 per cent of its \$66 million in 2002 funding directly from donors.

Recommendation 4

UNMAS should rescind all arrangements with UNOPS regarding the negotiation of in-kind contributions (AP2003/600/01/04).

18. UNMAS did not accept recommendation AP2003/600/01/04 indicating that they are *not aware of any Memorandum of Agreement with UNOPS authorizing the latter to accept in-kind contributions on behalf of the United Nations*. OIOS reviewed eight memorandums of agreements in respect of mine action activities in Afghanistan and Lebanon. See pages 14 and 16 of one of such agreements between the United Nations and UNOPS dated November 2002 pertaining to the project called "Support to the Coordination of Mine Action in Afghanistan". According to the agreement, UNOPS is responsible for drafting, negotiating, finalizing, signing, and Administering MOAs with in-kind donors. UNMAS is responsible for overall coordination with donors. As of the time of the audit, UNMAS was not able to provide any evidence indicating its involvement with in-kind contributions. UNMAS could not provide a copy of any agreement with a donor regarding in-kind contributions or show the quantities and categories of in-kind contributions received and for which specific mine action programs in the field. Therefore, OIOS reiterates recommendation AP2003/600/01/04.

19. UNMAS also did not track in-kind contributions received by UNOPS and cash contributions received by MACCs. As a result, UNMAS does not consider these contributions when allocating funds from the Voluntary Trust Fund to implementing partners and does not report contributions in its Annual Report. The absence of appropriate procedures raised the possibility of 'double dipping' by some implementing partners – i.e. the Service could fund projects that are already adequately funded through bilateral arrangements. In OIOS' view, double dipping could deprive other priority projects of needed funds.

Recommendation 5

UNMAS should implement procedures to mitigate the risk of 'double dipping' caused by funding activities of some implementing partners that are already adequately funded through bilateral arrangements (AP2003/600/01/05).

20. UNMAS did not accept recommendation AP2003/600/01/05 indicating that it *has no authority and cannot be expected to implement additional procedures to control contributions provided bilaterally by a donor to a national authority or an NGO*. OIOS recognizes that UNMAS has no authority to control contributions provided bilaterally. However, in accordance with the United Nations Mine Action Policy, UNMAS is responsible for resource mobilization and thus has the ability to influence funding priorities. Also, the Service routinely receives unearmarked contributions for which it has the authority to fund priority projects or to fill funding gaps. The Service thus needs to perform verifiable procedures, prior to allocating funds to an executing partner, to determine if that partner has not already received adequate bilateral funds to complete the specific project. OIOS reiterates recommendation AP2003/600/01/05.

Recommendation 6

UNMAS should take concrete actions aimed at accurately determining and reporting all contributions made by donors to UN mine action programmes irrespective of whether contributions were made through the Voluntary Trust Fund (AP2003/600/01/06).

21. UNMAS concurred with recommendation AP2003/600/01/06 and has indicated that it has begun implementing it. The recommendation pertains to ongoing operational matters. Therefore, it will remain open in OIOS database.

B. Inadequate planning of threat assessment missions

22. The achievement of the overarching goal of the UN mine action policy - to eliminate the landmines/UXO threat worldwide commences with inter-agency threat assessment missions aimed at defining the scope and nature of the landmine/UXO problem in affected countries, identifying constraints and opportunities relating to the development of mine-action initiatives,

and recommending a comprehensive UN response. However, as of the date of this audit, none of the 10 missions scheduled for 2002 and 2003 had been undertaken.

23. These 10 missions were scheduled without UNMAS first obtaining invitations from the governments of the affected countries as required. In this connection, UNMAS needed to schedule and implement concrete activities aimed at persuading the governments of affected countries to request assessment missions.

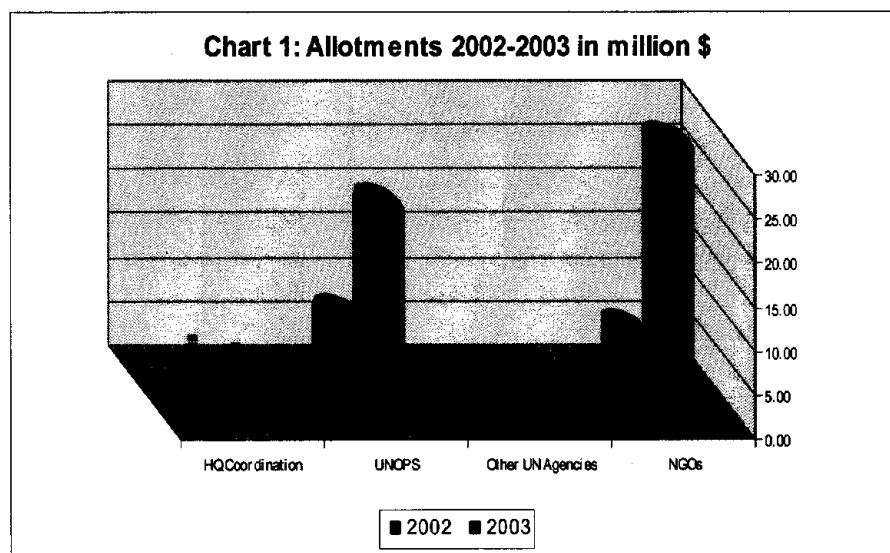
Recommendation 7

UNMAS should develop effective communications aimed at persuading governments of mine-affected countries to request threat assessment missions (AP2003/600/01/07).

24. UNMAS agreed with recommendation AP2003/600/01/07 and indicated that it *will implement it as an ongoing commitment to improve organizational practices*. The recommendation pertains to ongoing operational matters. Therefore, it will remain open in OIOS database.

C. Programme execution and monitoring

25. As illustrated in Chart 1, more than 90 per cent of the extrabudgetary resources in 2002 and 2003 were allocated and disbursed to implementing partners comprising UN agencies (mainly UNOPS) and NGOs. These disbursements were in the form of advances and grants. In OIOS opinion, UNMAS should ensure the cost-



effectiveness of mine action programmes through proper organizational arrangements with these partners, field visits, and proper desk reviews of the required outputs.

Arrangements for UNOPS to provide technical support to MACCs

26. Although UNMAS maintains a fully staffed programme support unit, the agreements with UNOPS assign responsibility for technical support of MACCs to UNOPS and provide that

MACCs report to both UNOPS and UNMAS. As a result, both UNOPS and UNMAS were engaged in providing technical support to MACCs. This practice resulted in a duplication of effort and an inefficient use of resources. UNMAS also informed OIOS that some MACCs in the field were confused about the dual reporting lines. Some UNOPS staff noted that the role of "project execution" requires UNOPS to develop an organizational identity and loyalty among MACC staff, which raises the question as to which technical advice the MACCs should act upon when there is a conflict.

27. Some agreements also require UNOPS to provide administrative support to MACCs in countries where there are peacekeeping missions. Such administrative support included procurement of goods and services, contract administration, recruitment and administration of MACCs' personnel. In OIOS' view, the concerned peacekeeping missions and DPKO were sufficiently equipped to provide these services at a fraction of the cost of retaining UNOPS. UNMAS pays fees equivalent to three per cent of funds channelled through UNOPS and an additional commission of about five per cent of the value of goods and services procured through UNOPS. As indicated in Table 1 below, UNMAS allotted approximately \$1.03 million in programme support costs to UNOPS in 2002 and 2003.

Table 1: Programme support fees paid or allocated to UNOPS (in US \$)

<u>Country</u>	<u>2002</u>	<u>2003</u>	<u>Total</u>
Afghanistan	\$35,000	\$480,200	\$515,200
DR Congo	96,300	17,200	113,500
Eritrea	159,600	29,900	189,500
Lebanon	85,800	121,300	207,100
Total	\$376,700	\$648,600	\$1,025,300

28. According to UNMAS, in 2001, it was able to convince OPPBA and OMS that on the basis of the many UN mine action programmes it implemented in the late 1990s, UNOPS had developed a comparative advantage over DPKO in ensuring the timeliness of required services. However, neither the cost-benefit analyses supporting UNMAS' conclusion nor a system aimed at continuously assessing the performance of UNOPS was available for OIOS review. Nevertheless, OIOS found that arrangements with UNOPS were in existence prior to the Brahimi reforms that led to the restructuring of DPKO, the upgrading of UNMAS, and the strengthening of UNMAS' programme support capacity. These changes should have logically led to more self reliance on the part of UNMAS, especially in project implementation. On the contrary, UNMAS remains reluctant to assert control over the MACCs which would be counter to UNOPS' preference for the status quo.

Recommendation 8

UNMAS should conduct comprehensive cost-benefit analyses with the view to substantially reducing the need for

UNOPS to provide technical and administrative support to mine action programmes in the field. The analyses should include all UNMAS programmes supported by UNOPS including those in countries where there are no peacekeeping missions. Consideration should also be given to the possibility of using peacekeeping missions, OMS or UNMAS to provide these services (AP2003/600/01/08).

29. UNMAS concurred with recommendation AP2003/600/01/08 and stated that its implementation was *underway*. The Service also stressed that *the use of UNOPS as the principal service provider was incorporated into the United Nations Mine Action Policy because of its capacity to respond quickly with specialist service support, and in order to provide greater continuity during the transition of mine action programmes to national authorities. When mine action programmes were previously established through DPKO, the large number of competing priorities meant that mine action needs were often not addressed in a timely manner. UNMAS agrees that a review needs to be undertaken of the various options for programme implementation, which should include a cost-benefit analysis. Terms of Reference for this review have been drafted.* OIOS will close this recommendation in its database after receiving evidence of its implementation from UNMAS.

Recommendation 9

UNMAS should review and appropriately revise all agreements with UNOPS on the basis of the proper cost-benefit analyses (AP2003/600/01/09).

30. UNMAS concurred with recommendation AP2003/600/01/09 and stated that its implementation was *underway*. OIOS will close this recommendation in its database after receiving evidence of its implementation from UNMAS.

Recommendation 10

UNMAS should implement a system aimed at continuously assessing the performance of UNOPS (AP2003/600/01/10).

31. UNMAS concurred with recommendation AP2003/600/01/10 and stated that its implementation was *underway*. OIOS will close this recommendation in its database after receiving evidence of its implementation from UNMAS

Technical missions

32. UNMAS uses technical missions as the primary means for supervising mine action programmes in the field. However, at the date of this audit, and as indicated in Table 2 below, UNMAS undertook only 19 of the 40 (48 per cent) technical missions included in its work plans

for 2002 and 2003. Only 8 of the 21 planned missions for 2002 and 11 of 19 missions planned for 2003 had been undertaken.

Table 2: Status of scheduled technical missions (2002 – 2003)

Country	Missions Scheduled in Work Plan	Missions Undertaken by UNMAS	Missions Undertaken by UNOPS
Kosovo	5	1	-
South Lebanon	5	1	1
Eritrea	6	-	-
Afghanistan	7	7	-
DRC	6	2	1
Sudan	7	5	-
Western Sahara	1	-	-
Macedonia	1	1	1
UNFICYP	1	1	-
UNDOF	1	1	-
Total	40	19	3

33. The work plans were not sufficiently detailed as to the timing and estimated human resources available to undertake each scheduled mission. Furthermore, OIOS observed that the missions were scheduled based on past practices whereby UNMAS made two missions per year per programme. In view of the recent increases in the number and scope of mine action activities, OIOS believes that scheduling technical missions should be preceded by a risk assessment taking into consideration available resources.

Recommendation 11

UNMAS should adopt a risk approach to scheduling technical missions in order to ensure that mine action programmes are adequately supervised. Only missions that fit a particular risk profile should be included in the annual work plan (AP2003/600/01/11).

34. UNMAS concurred with recommendation AP2003/600/01/11 stating, however, *that the risk profile of the particular mission should not be the sole basis for scheduling such visits*. OIOS will close this recommendation after receiving evidence that the risk profile of a particular mission has been considered in scheduling a technical mission.

Recommendation 12

UNMAS should identify the timing of missions and estimate the human resources that will be available to undertake each mission in its annual work plan (AP2003/600/01/12).

35. UNMAS concurred with recommendation AP2003/600/01/12. OIOS will close this recommendation after receiving evidence that *the scheduling of visits and the personnel*

availability to undertake such missions have been planned in greater detail in the annual work plan.

Controls over advances made to UN agencies

36. Disbursements to UN agencies are made in the form of advances that are cleared by OPPBA when it receives the financial statements showing how the funds were used by the recipients. As part of the preparation of the financial statements for the General Trust Fund, OPPBA makes appropriate accounting entries in IMIS to clear the receivable balances. The remaining balances represent unspent balances or funds that have been spent as intended but for which no accounting has been rendered by the implementing partner (s). On the basis of these entries, OPPBA and UNMAS should take steps to recover unspent balances or clear invalid receivables. However, UNMAS had not implemented proper follow-up procedures in this regard. As of 31 December 2003, unspent balances older than six months totalled \$1.1 million (see Annex 1). Some of the unspent balances resulted from advances issued in early 2001. The balances also include \$121,900 due from UNPROFOR in connection with an inter-office-voucher (IOV) dated May 1999 relating to the United Nations' Peace Force (UNPF). Both UNPROFOR and UNPF have since been liquidated.

Recommendation 13

UNMAS should obtain accounts receivable ageing analyses from the Accounts Division on a monthly basis so as to take timely follow-up action to recover unspent balances (AP2003/600/01/13).

37. UNMAS did not concur with recommendation AP2003/600/01/13 indicating that it *already takes a proactive approach to recovering unspent balances*. With reference to Annex 1, the Service stated that *all but four of the amounts listed have been clarified or recovered, and the remainder are under review by UNMAS and OPPBA. OPPBA recovers unspent balances and clears invalid receivables as a matter of routine. UNMAS is currently in the process of reconciling the outstanding balances with the Accounts Division and implementing partners and will recover unspent balances as required.*

38. OIOS reiterates recommendation AP2003/600/01/13 pending receipt of evidence of the "proactive approach to recovering unspent balances" referred to by UNMAS and evidence of the recovery of all amounts reported in Annex 1. At the time of audit, UNMAS could not provide any evidence to OIOS of measures taken to promptly recover unspent balances, in particular the amounts reported in Annex 1. In OIOS' view, if the amounts reported in Annex 1 had been recovered as indicated by UNMAS, they would not have been present in the ageing analyses reviewed by OIOS. Accounts receivable ageing analyses are prepared on a monthly basis. Best programme management practices require a timely review of accounts receivable ageing analyses and prompt recovery of unspent balances. OIOS is of the view that UNMAS is adequately staffed to undertake monthly reviews of the ageing analyses to supplement the annual reviews performed by OPPBA.

Audit of UN agencies

39. Unlike the agreements with UNOPS, the agreements with UNDP and UNICEF do not contain any audit clauses. The agreement with UNOPS provides that "All financial accounts and statements shall be subjected exclusively to the internal and external auditing procedures laid down in the Financial Regulations and Rules and Directives applicable to UNOPS". In OIOS' view, similar audit clauses should be included in agreements with all implementing partners to deter and prevent misuse of extrabudgetary resources.

Recommendation 14

UNMAS should include an audit clause that provides for all financial accounts and statements to be subjected to internal and external auditing procedures laid down in the financial regulations and rules applicable to any UN agency, similar to the one included in agreements with UNOPS (AP2003/600/01/14).

40. UNMAS did not accept recommendation AP2003/600/01/14 stating that *the United Nations Controller does not accept the recommendation because the internal and external auditing procedures laid down in the Financial Regulations and Rules of the United Nations do not permit 3rd party audits of United Nations financial accounts and statements. In addition, implementing the recommendation will undermine the internal and external audit regimes of other United Nations organizations and expose the United Nations to charges of hypocrisy, since it resolutely refuse to grant audit access to donors.*

41. OIOS would like to clarify that recommendation AP2003/600/01/14 is aimed at ensuring that accounts with implementing partners are audited. The recommendation does not envisage providing several audit regimes of the same account, such as third party audits, but rather provides for audits by the organization's own internal or external auditors. As such, OIOS reiterates this recommendation. OIOS will close this recommendation in its database after UNMAS and/or OPPBA indicates acceptance of OIOS' clarification of the rationale behind the recommendation and provides evidence of its implementation.

Recommendation 15

UNMAS should obtain the internal and external audit reports of UN agencies annually and ensure that mine action programmes have been adequately considered in these audits (AP2003/600/01/15).

42. UNMAS did not accept recommendation AP2003/600/01/15 stating that *the United Nations Controller does not accept the recommendation because it undermines the internal and*

external audit regimes of other United Nations organizations and expose the United Nations to charges of hypocrisy, since it resolutely refuse to grant audit access to donors.

43. OIOS reiterates recommendation AP2003/600/01/15 because audit is an effective tool for programme management, the effectiveness of which depends on the extent to which the results are used by programme management (i.e. UNMAS). Therefore, in OIOS' view it is not enough to require an audit of an implementing partner (i.e. UNOPS) if there is no intention to ensure that the partner complies with the conditions for disbursing the funds to it. OIOS will close the recommendation in its database after receiving evidence from UNMAS and/or OPPBA of the measures taken to ensure UNOPS complies with the audit requirements stipulated in the Memoranda of Agreements with it.

Controls over grants made to NGOs

44. Disbursements to NGOs are made in the form of grants, typically to supplement NGO resources. In 2002-2003 approximately \$32 million in grants were allocated to NGOs. UNMAS uses a grant review process to assess the technical viability and the resource requirement of the concerned NGOs. However, the process falls short of assuring the adequacy of the accounting and financial management systems maintained by the NGOs. This presents a risk that grants will not be used for the purpose intended. OIOS observed that the agreements with the NGOs contained audit requirements that could be improved upon and used to enhance the quality of UNMAS funding decisions. In particular, the agreements typically required that the "project shall be audited at least once during its lifetime, but may be audited annually, in consultation between the Parties. The audit shall be carried out by the auditors of a qualified audit firm, which shall produce an audit report". In OIOS' view, UNMAS should obtain these audit reports and use them when making grant decisions and as tools for monitoring the performance of NGOs.

Recommendation 16

As part of the grant review process, UNMAS should require independent audit reports and/or financial appraisal reports attesting to the adequacy of the accounting and financial management systems as a precondition for initial and continuing funding of the concerned NGOs (AP2003/600/01/16).

45. UNMAS did not accept recommendation AP2003/600/01/16 stating that *the grant agreements signed with NGOs require an audit and UNMAS does review them. In addition, UNMAS undertakes continuous substantive appraisal of the adequacy of accounting and financial management systems of NGOs to whom grants are made. It must be noted that often UNMAS executes projects in emergency and peacekeeping environments and implements its projects with the available NGOs on the basis of available information. Therefore, it is not possible for an independent audit to be a precondition for initial funding.*

46. OIOS will close recommendation AP2003/600/01/16 in its database after receiving satisfactory evidence of UNMAS' review, during 2004, of audit reports pertaining to any five of the national NGOs operating in Afghanistan and all NGOs operating in Lebanon. During the audit, the Service was not able to provide audit reports of NGOs, particularly national NGOs. There was also no evidence of financial appraisals conducted by competent finance personnel. OIOS recognizes that in emergency situations, a requirement for an audit of operations specifically funded by the United Nations may not be practical. However, NGOs are not normally established to respond to specific emergency situations. The creation of an NGO generally predates the emergency situations for which it is hired by the United Nations. In such situations, UNMAS should use historical financial information and previous audit of the concerned NGOs for decision making. This is prudent financial management practice.

NGOs Compliance with grant agreements

47. The agreements with the NGOs typically include indicators that should be used by UNMAS to appraise the NGO technical performance. Moreover, the agreements contain substantive and financial reporting requirements that should be used to determine if the NGOs are using the funds as intended and to recover unspent funds as appropriate. However, there was no evidence to substantiate UNMAS' assertions that it routinely receives and reviews both financial and substantive reports and advise its staff in the field to follow up discrepancies. It was very difficult and sometimes impossible for UNMAS to promptly provide to OIOS the required requested substantive and financial reports. No UNMAS guidelines or standard operating procedures existed for reviewing NGO reports. Out of 30 allotments referred to in UNMAS' database as "closed" or which should have been closed as of June 2003, UNMAS only provided 5 financial statements. Four of the five statements contained no evidence to determine if they indeed represented the financial statements for the allotments. OIOS also examined some of the financial statements of ongoing projects and found that they did not provide sufficient basis to determine if the grants were used for the intended purpose. The expenditures reported by the NGOs almost always exceeded the amount of the grant made by UNMAS. Eleven of the financial statements reviewed by OIOS contained negative cash balances, creating the impression that the funds provided by UNMAS were used although in reality this may not be the case. The financial statements could relate to other funding sources. In 5 of the 11 cases, the approved grant amounts were not sufficient to cover the shortfalls.

48. UNMAS expected that MACCs would monitor the implementing partners in the field. However, UNMAS could not confirm the adequacy of the procedures, if any, used by the MACCs to monitor the NGOs. UNMAS informed OIOS that UNOPS had issued programme management guidelines to the MACCs. However, the Service was unable to provide copies of these guidelines for OIOS' review. OIOS also noted that UNMAS had contracted with a consultant to prepare the Mine Action Programming Handbook, which will include project monitoring procedures. This project had been ongoing for some time.

Recommendation 17

UNMAS should obtain copies of the procedures implemented by MACCs to monitor and assess their adequacy (AP2003/600/01/17).

49. UNMAS accepted recommendation AP2003/600/01/17. OIOS will close the recommendation after receiving from UNMAS a copy of the procedures implemented by MACCs.

Recommendation 18

UNMAS should establish a timeframe for completing the Mine Action Programming Handbook (AP2003/600/01/18).

50. UNMAS accepted recommendation AP2003/600/01/18. OIOS will close the recommendation after receiving from UNMAS the timetable or a copy of the completed Mine Action Programming Handbook.

D. Management of extrabudgetary resources by UNMAS

51. UNMAS' management of extrabudgetary resources needed to be improved to ensure efficiency and effectiveness in the areas of cost planning, allocation of resources, disbursement, accounting and reporting. The management of extrabudgetary resources is governed by ST/SGB/1888, ST/AI/284, ST/AI/285, and ST/AI/286 dating from the early 1980s, which are now obsolete. Like other UN programmes relying on extrabudgetary resources, UNMAS has been overwhelmed by the increasing number, amount, and scope of donor supported activities as well as the increasing number of donor-imposed special conditions for substantive and financial reporting. Thus OPPBA was in the process of reforming trust fund management in the UN. This reform is expected to change the processes currently followed by UNMAS. However, the specifics of the reforms are not yet available. Moreover, due to the general nature of the policy, programme managers will be required to implement specific measures to ensure they do not violate the new policy. In this regard, OIOS identified the following issues which support the need for reform and concrete actions on the part of UNMAS and OPPBA.

Cost planning

52. The audit revealed that OPPBA did not approve the proposed cost plans for 2002 and 2003 as required. Approximately 77 per cent of the 2002 budget of \$15.5 million and 91 per cent of the 2003 budget of \$75.9 million represented shortfalls or "funding being sought". There were shortfalls in both categories of the cost plans, namely HQ coordination and field programmes costs. The shortfalls relating to HQ coordination in both 2002 and 2003 were more than 50 per cent of the resources required. OIOS is of the view that OPPBA's review and approval will enhance the accuracy of the cost plan.

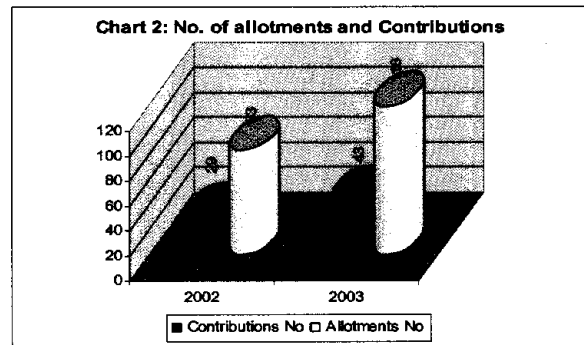
Recommendation 19

UNMAS should ensure that OPPBA reviews and formally approves its cost plans as required (AP2003/600/01/19).

53. UNMAS did not accept recommendation AP2003/600/01/19 indicating that *the cost plans for 2002, 2003, and 2004 were carefully reviewed by OPPBA and comments were transmitted back to UNMAS accordingly*. At the time of the audit, UNMAS informed OIOS that it did not receive any formal approval. Therefore, UNMAS only provided OIOS with copies of the "Proposed Cost Plan" for 2002 and 2003. OIOS will close this recommendation in its database after receiving copies of OPPBA approved cost plans or OBBA's comments on the costs plans for 2002 and 2003.

Cost plans as the basis for allotments

54. The audit revealed that allotments with respect to implementing partners, who represent more than 95 per cent of the cost plan, are issued without any reference to a cost plan as required under UN financial regulations, rules and procedures. UNMAS requests allotments (i.e. an allotment is requested with respect to each implementing partner) every time it receives notification about a new contribution. As Chart 2 shows, a 48 per cent increase in contributions in 2003 compared to 2002 resulted in an increase in the number of allotments issued from 83 to 118. Since requests and issuances of allotments can be time consuming, staff resources in UNMAS, DPKO/EO, and OPPBA are needlessly overextended, due primarily to the practice followed in initiating and issuing allotments. This could be avoided by UNMAS allowing contributions to accumulate for a period of up to three months, and depending on programme priorities submitting a single request for allotments to the Controller. The proposed approach is similar to the one used for peacekeeping missions and will rely on cost planning. Allotments are issued to the mission itself by account categories and not by supplier. Under the proposed approach UNMAS will continue to request the OPPBA to make direct disbursements to implementing partners but against allotments issued to UNMAS. UNMAS will render appropriate accounting to OPPBA as may be deemed necessary by OPPBA. This approach will reduce the number of allotments issued from an average of 100 to not more than six allotments per year regardless of the number of contributions received.



55. In response to our suggestion above that UNMAS cut down on the number of allotments requested, OIOS was informed that some donors tend to demand immediate disbursement of funds to the concerned projects. Clearly, this means there will be exceptions. However, the tough donor-imposed requirements that resulted from a lack of confidence in UNMAS' financial

management did not necessarily result in accelerated disbursements to projects. It generally took a considerable amount of time from when the United Nations received contributions to the time the funds were committed, and finally disbursed to mine action programmes. Only 44 per cent of the amount allotted and 34 per cent of the 10 contributions received amounting to \$19.7 million as of 19 August 2003 were committed and disbursed respectively by 31 December 2003. It took an average of 33 days for OPPBA to complete the cash receipt vouchers (CRV) required by UNMAS to initiate allotment action. It will take an additional average of at least three months to fully allot/allocate the \$11 million balance. Disbursements took an even longer time.

Recommendation 20

UNMAS, in coordination with OPPBA, should develop a more efficient basis of initiating allotment requests that ensures substantial reduction in the frequency and number of allotments issued (AP2003/600/01/20).

56. UNMAS accepted recommendation AP2003/600/01/20. *The Controller is implementing more efficient fund disbursement modalities in accordance with Actions 32 and 24 of the Report of the Secretary-General entitled 'Strengthening of the United Nations: an agenda for further change' (A/57/387 of 9 September 2002). Significant improvements have already been made. OIOS will close this recommendation in its database after receiving copy of the document containing the efficient fund disbursement modalities referred to in UNMAS response.*

Excessive controls over allotments and disbursements

57. Each allotment and disbursement request must be supported by an agreement between the UN and the concerned implementing partner. The initiation of a request for allotment and disbursement and the contracting of implementing partners are typical programme management functions. However, since UNMAS does not have certifying authority, it submits all requests to OPPBA through DPKO/EO. The Controller signs all agreements and amendments that accompany allotment requests since the Director of UNMAS does not have the delegated authority to enter into these standard agreements. These controls delayed further the disbursement process. In OIOS's view, the recent upgrading and strengthening of UNMAS including the impending augmentation of its resource management capacity, have provided the foundation for UNMAS to negotiate and approve agreements involving implementing partners and communicate directly with OPPBA.

Recommendation 21

UNMAS should request certifying authority that would allow it direct access to OPPBA concerning all financial matters rather than transmitting information through the DPKO/EO (AP2003/56/4/21).

58. UNMAS accepted recommendation AP2003/600/01/21 and stated that it will be addressed in consultation with DPKO/EO and OPPBA. OIOS will close the recommendation in its database after receiving satisfactory evidence from UNMAS that it has been implemented.

Recommendation 22

UNMAS should obtain delegation of authority to enter into agreements with implementing partners concerned (AP2003/600/01/22).

59. UNMAS accepted recommendation AP2003/600/01/22. The Controller is revising the delegation of financial management authority in accordance with Action 32 and 24 of the Report of the Secretary-General entitled '*Strengthening of the United Nations: an agenda for further change*' (A/57/387 of 9 September 2002). OIOS will close this recommendation in its database after receiving copy of the document referred to in UNMAS response.

Database used by UNMAS

60. UNMAS maintains Excel spreadsheets containing some of the same data already recorded or that should be recorded in IMIS regarding pledges, contributions, allotments, disbursements, etc. The Excel spreadsheets also contain data relating to donors and implementing partners reporting requirements and are thus used by UNMAS as the source of reports to donors. OIOS observed that the spreadsheets were prone to error and that there was no reconciliation between the spreadsheets and IMIS. This created a possibility of inaccurate reporting to donors. UNMAS could minimize the possibility of inaccurate information by making greater use of similar information contained in IMIS. OIOS also noted that UNMAS was in the process of changing the database from Microsoft Excel-based to Microsoft Access-based to make it more user-friendly.

Recommendation 23

UNMAS should review its financial information needs relating to pledges, contributions etc, and request appropriate access to IMIS to minimize the possibility of data entry errors (AP2003/600/01/23).

61. UNMAS accepted recommendation AP2003/600/01/23. OIOS will close the recommendation in its database after receiving evidence that it has been satisfactorily implemented.

E. Programme Evaluation

62. The United Nations Regulations (ST/SGB/2000/8) provide that all activities undertaken by the United Nations irrespective of their source of financing must be evaluated. However,

UNMAS has not yet evaluated the mine action programmes. OIOS observed that some donors have funded the evaluation of mine action programmes. One such evaluation was recently conducted in respect of the UN Mine Action Programme in Afghanistan. It is therefore possible that UNMAS could quickly mobilize sufficient resources for programme evaluation.

Recommendation 24

UNMAS should ensure that each mine action programme is evaluated periodically (AP2003/600/01/24).

63. UNMAS accepted recommendation AP2003/600/01/24 but clarified that *both Kosovo and the United Nations response into the Iraq emergency have been evaluated*. OIOS will close the recommendation in its database after receiving copies of the evaluation reports in respect of Kosovo and the emergency response in Iraq.

V. FOLLOW-UP OF PREVIOUS AUDIT RECOMMENDATIONS

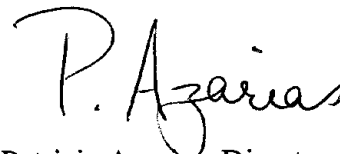
64. OIOS conducted an audit of the Voluntary Trust Fund for Assistance in Mine Clearance (AP97/124/6) in February to April 1998. As part of the current audit, we followed up on the recommendations resulting from the 1998 audit, and found that some of the recommendations had not been implemented or had been overtaken by events. Annex 2 shows the outstanding recommendations that should still be implemented along with the recommendations from the current audit.

Recommendation 25

OPPBA and UNMAS should implement outstanding recommendations that pertain to them from the 1998 audit of the Voluntary Trust Fund (AP2003/600/01/25).

VI. ACKNOWLEDGEMENT

65. We wish to express our appreciation to UNMAS and OPPBA for their cooperation and assistance provided to the auditors during this audit.



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