



INTERNAL AUDIT DIVISION I
OFFICE OF INTERNAL OVERSIGHT SERVICES

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To: Mr. Demetrius Perricos, Acting Executive Chairman
United Nations Monitoring, Verification and
Inspection Commission

Mr. Warren Sach, Assistant Secretary-General, Controller
Office of Programme Planning, Budget and Accounts

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

A handwritten signature in black ink that reads "P. Azarias".

Subject: OIOS Audit No. AF2003/821/01: Audit of the United Nations
Monitoring, Verification and Inspection Commission (UNMOVIC)

1. I am pleased to present herewith our final report on the audit of the above subject, which was conducted during the second and third quarters of 2004. The audit was conducted in accordance with the standards for the professional practice of internal auditing in United Nations organizations.

2. We note from your response to the draft report that UNMOVIC has generally accepted the recommendations. Based on the response, we are pleased to inform you that we have closed recommendations 6, 7, 8, 9 and 10 in the OIOS recommendation database. Recommendation 1 will be addressed to the Secretary-General in a separate audit communication. In order for us to close out the remaining recommendations 2 and 5 we request that you provide us with additional information as indicated in the text of the report and a time schedule for their implementation. Please refer to the recommendation number concerned to facilitate monitoring of their implementation status. Please note that OIOS will report on the progress made in implementing its recommendations, particularly those designated as critical, in its annual report to the General Assembly and a semi-annual report to the Secretary-General.

3. IAD is assessing the overall quality of its audit process and kindly requests that you consult with your managers who dealt directly with the auditors and complete the attached client satisfaction survey form.

4. I take this opportunity to thank the management and staff of UNMOVIC for the assistance and cooperation provided to the auditors in connection with this assignment.

Copy to: UN Board of Auditors
Programme Officer, OIOS
Dagfinn Knutsen, Chief, Peacekeeping Audit Service, IAD-I, OIOS
Tilchand Acharya, Auditor-in-Charge, IAD-1, OIOS

Office of Internal Oversight Services

Internal Audit Division I



Audit of the United Nations Monitoring, Verification and Inspection Commission

Audit no: AF/2003/821/01
Report date: 14 October 2005
Audit team: Tilchand Acharya
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EXECUTIVE SUMMARY

OIOS Audit of the United Nations Monitoring, Verification and Inspection Commission (UNMOVIC)

OIOS conducted an audit of the United Nations Monitoring, Verification and Inspection Commission (UNMOVIC or the Commission) during the second and third quarters of 2004.

The main objectives of the audit were to: (a) verify that management had established an adequate system of internal controls over the receipt and expenditure of funds allotted to UNMOVIC; (b) ascertain whether expenditures were properly authorized, certified and approved; (c) verify the accuracy and validity of accounting transactions; and (d) assess UNMOVIC's implementation of the programme of work in light of the cessation of field activities in Iraq.

UNMOVIC was created through the adoption of Security Council resolution 1284 of 17 December 1999 to continue the mandate of its predecessor organization, the United Nations Special Commission (UNSCOM). The mandate was to disarm Iraq of weapons of mass destruction (chemical, biological weapons and missiles with a range of more than 150 km), and to operate a system of ongoing monitoring and verification to check Iraq's compliance with its obligations not to reacquire the same weapons as prohibited by the Security Council.

The following major issues were noted during our review:

- Despite significant developments to disarm Iraq, UNMOVIC's programme of work, as indicated in the operative paragraph 7 of Security Council resolution 1284 (1999), has not been revised since March 2003.
- In the absence of a decision by the Security Council, UNMOVIC continues to retain its original mandate under Security Council resolution 1284 (1999), which was expanded by resolution 1441 (2002) whereas the situation on the ground in Iraq has changed since March 2003. Without prejudice to any decision the Council may take on the future of the Commission, UNMOVIC management should develop alternative scenarios and strategies highlighting those main steps that it has already identified, should there be a decision by the Council to change the role of the Commission.
- There is no documentation showing that UNMOVIC had obtained an exemption from having its programme budget reviewed by intergovernmental bodies.
- Overall staffing levels require a review in line with the Commission's remaining programme of work. In particular, the decisions to recruit, retain, and continue to train UNMOVIC's experts should be revisited. There is a need for closer adherence to staff rules governing mandated age limits and performance appraisal reports.
- Although UNMOVIC has maintained property records, they were incomplete; without full and accurate records it is very difficult to determine what assets were destroyed during the war, what were pilfered, and what remain to be accounted for. The lack of access to Baghdad has made it difficult to update records.
- UNMOVIC is financed from 0.751 percent of the proceeds from the sale of Iraqi oil. However, UNMOVIC does not have a clear picture of income earned, including interest earned from balances invested in the UN investment pool, and the periodic changes to its portion of escrow account fund balances.

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I. INTRODUCTION

1. OIOS conducted an audit of the United Nations Monitoring, Verification and Inspection Commission (UNMOVIC or the Commission) during the second and third quarters of 2004. The audit was conducted in accordance with the standards for the professional practice of internal auditing in United Nations organizations.
2. UNMOVIC is the successor organization to the United Nations Special Commission (UNSCOM) and was created by Security Council Resolution 1284 of 17 December 1999 to continue the mandate of UNSCOM. That mandate was to disarm Iraq of its weapons of mass destruction (chemical, biological weapons and missiles with a range of more than 150 kilometers), and to operate a system of ongoing monitoring and verification to check Iraq's compliance with its obligations not to reacquire the same weapons prohibited by the Security Council.
3. UNMOVIC (UNSCOM before 1999) received a total of \$469.9 million in distributions comprising its 0.751 percent share of total oil sales of approximately \$64.2 billion. In addition, as per financial statements for the period 1998 through June 2005, UNMOVIC earned a total of \$66.3 million in interest income from unused balances invested through the UN Pooled Investments account. Therefore, the total income received by UNMOVIC was \$536.2 million of which \$231.7 million was allotted and \$174.6 million was spent cumulatively as of June 2005.
4. The comments made by the management of UNMOVIC, as well as the OPPBA, on the draft report have been included in the report as appropriate and are shown in italics.

II. AUDIT OBJECTIVES

5. The main objectives of the audit were to:
 - (a) Verify that management had established an adequate system of internal controls over the receipt and expenditure of funds allotted to UNMOVIC;
 - (b) Ascertain whether the expenditures were properly authorized, certified and approved;
 - (c) Verify the accuracy and validity of accounting transactions; and
 - (d) Assess UNMOVIC's implementation of its programme of work in light of the cessation of field activities in Iraq.

III. AUDIT SCOPE AND METHODOLOGY

6. The audit covered activities of UNMOVIC from 1999 to 2004 and included a review of some UNSCOM activities and transactions between 1996 and 1999. For detailed testing purposes, only UNMOVIC income and expenditures were reviewed. Due to the cessation of UNMOVIC's field activities brought about by the Iraq war, the auditors were not able to review programme activities other than those still underway as detailed in the Commission's quarterly reports to the Security Council, the latest of which was dated May 2005. The auditors also discussed various aspects of the programme with the responsible officials.

IV. OVERALL ASSESSMENT

7. With the exception of issues discussed below, OIOS found that the system of internal controls exercised by UNMOVIC was generally adequate. The activities of the Commission prior to the war in Iraq were extensively covered and reported upon. The findings and reports of the Commission to the Security Council have been proven to be accurate and well founded. Almost two years after the start of the war, the basic conclusions of the Commission have not been disputed.

8. Although the original mandate of UNMOVIC remains intact the situation on the ground in Iraq has changed since March 2003. A decision by the Security Council on the future of UNMOVIC is now a good possibility. In its recent decision concerning UNMOVIC [SC/RES/1546 (2004)], the Security Council "reaffirms its intention to revisit the mandates of the United Nations Monitoring, Verification, and Inspection Commission...." With this in mind, UNMOVIC should review its overall staffing and include, within the alternative scenarios and strategies it considers, a draw-down plan as part of an exit strategy in order to respond to the Security Council, should the Council ask for information on staffing requirements. In particular, the decision to retain and continue to train experts on its staff should be reviewed based on the situation on the ground in Iraq and its practical implication on UNMOVIC's work programme.

9. In the areas of administrative and financial management, the audit found that the Commission did not keep itself fully informed of the overall status of its finances. At the beginning of this audit, UNMOVIC did not know the balances remaining in its accounts including funds it held in the UN pooled investments account or the interest earned.

V. AUDIT FINDINGS AND RECOMMENDATIONS

A. Programme of work

UNMOVIC's programme of work has not been revised since March 2003

10. Security Council resolutions 687 and 1441 provide for Iraq's comprehensive disarmament while resolution 1284 requests UNMOVIC to: (a) identify "key remaining disarmament tasks"; and (b) address "unresolved disarmament issues". UNMOVIC's tasks call for achieving, through inspections and verifications, a high degree of assurance that Iraq has been freed from, and remains free of, weapons of mass destruction.

11. Pursuant to paragraph 7 of resolution 1284, UNMOVIC prepared a draft programme of work dated 17 March 2003. The draft included implementation of a reinforced system of ongoing monitoring and verification (R-OMV) covering both "unresolved disarmament issues" and "key remaining disarmament tasks". It incorporated the new powers conferred upon UNMOVIC by the Security Council resolution 1441 (2002) and sought to define what Iraq was required to do for the implementation of each of the key remaining disarmament tasks. However, the draft programme of work was not acted upon by the Security Council at that time apparently due to the changed situation in Iraq.

12. Furthermore, despite the changed situation on the ground in Iraq since March 2003, the UNMOVIC draft work programme, in relation to the operative paragraph 7 of resolution 1284 (1999), has not been revised. Although the mandate remains intact, it is within the prerogative of UNMOVIC to revise its work programme in accordance with paragraph 7 of Security Council resolution 1284, for the Council's approval. In its twentieth quarterly report of 28 February 2005 to

the Security Council, UNMOVIC provided the status of its ongoing work pending a decision on its mandate. The ongoing work included: (a) activities on the Compendium on Iraq's Weapons of Mass Destruction; (b) a study of the quantities of material - whether to adjust the focus of any future monitoring policy for Iraq from military significant quantities to smaller quantities that would be of potential interest to non-State actors; and (c) training activities. Understandably, the level of these activities is significantly lower than that included in the draft work programme of 17 March 2003, and the activities themselves differed between those identified in the draft work programme and those actually carried out.

13. The reduced level of activity was also reflected in allotments for the biennia 2002-2003 and 2004-2005, which were \$119.9 million and \$19.6 million respectively. However, these reductions in programme activities and related resources were not supported by a revised work programme following the changed situation on the ground in Iraq since March 2003. Although none of the resolutions that govern the work of UNMOVIC lays down a date for the completion of the work, UNMOVIC still prepares its internal work programme on a semi-annual basis to coincide with its (currently) semi-annual allotment requests.

14. *UNMOVIC has commented that the "work programme" referred to in operative paragraph 7 of Security Council resolution 1284 (1999) is not synonymous with the internal "work programmes" and associated budgets prepared by Departments of the UN Secretariat pursuant to the tasks and resources they are given by the General Assembly. UNMOVIC further commented that "...internal work schedules for each of the functional units in UNMOVIC are prepared and updated on a periodic basis. These are UNMOVIC's equivalent to the work programmes of the other UN Departments.... UNMOVIC (as was its predecessor UNSCOM) is a subsidiary body of the Security Council and takes its instructions directly from the Council.*

15. OIOS is fully cognizant of the two different "work programmes" referred to by UNMOVIC in its response to the draft report. The first one being their "work programme" as per Security Council resolution 1284, paragraph 7, to be drawn up for approval by the Council for the discharge of their mandate. Indeed, OIOS would like to clarify that the said draft "work programme" of 17 March 2003 does not match UNMOVIC's current scope of activities (as outlined in their internal work schedules) due to the changed situation on the ground, and OIOS reiterates that it should be revised, considered, and approved by the Council as per Security Council resolution 1284, paragraph 7. Considering that UNMOVIC is a subsidiary body of the Security Council and as such, takes its instructions directly from the Council, OIOS will address this issue in a separate audit communication to the Secretary-General for the attention and consideration of appropriate action by the Security Council.

Need for an exit strategy

16. Pending a decision on a new mandate, there is also a need to prepare alternative strategies should there be a decision by the Security Council to change UNMOVIC's mandate. Objectives of the strategy should be to: (a) take stock of the implementation status of all resolutions that govern the work of UNMOVIC; (b) identify any remaining disarmament tasks; and (c) propose inspections and monitoring mechanisms on the remaining tasks in order to assure that Iraq has been free from, and remains free of, weapons of mass destruction.

17. UNMOVIC could use the preparation of the exit strategy as an opportunity to highlight its achievements and draw lessons learned from its activities for any future disarmament operations. More importantly, the strategy could incorporate: (a) accomplishments reflected in the quarterly reports; (b) studies undertaken by the Iraq Survey Group; (c) periodic oral presentations of the

Acting Executive Chairman to the Security Council on the main steps required towards completing UNMOVIC's mandate; and (d) advice from the members of the College of Commissioners and of the Security Council on their UNMOVIC work. The strategy could also include contingency plans to draw down staff, complete inventory records of non-expendable property and disposal of assets in an orderly manner.

18. Without prejudging the final outcome on the decision of the Security Council, OIOS believes that a comprehensive exit strategy would go a long way in helping the Council to decide on UNMOVIC's new mandate. Furthermore, the identification of any remaining disarmament tasks including proposed inspection and monitoring mechanisms would be useful in revising UNMOVIC's programme of work and in justifying required resources.

19. It is clear, however, that insofar as the financial support from Iraqi funds is concerned, unless a new programme for UNMOVIC involving Iraq can emerge, new sources of funding will have to be found and remaining funds surrendered to the Iraqis. Indeed, on 7 March 2005, the new Iraqi Government has written to the Security Council to transfer the remaining Iraqi funds to the Development Fund of Iraq.

Recommendations 1 and 2

OIOS recommends that UNMOVIC Secretariat:

- (i) Should revise its programme of work on an annual basis in order to be able to respond to the Security Council considering the changed situation on the ground in Iraq since March 2003 (AF/2003/821/01/01); and
- (ii) Prepare alternative strategies with a proposed revision to its work programme and related adjustment to its requirements for staff and other resources, pending a decision by the Security Council on UNMOVIC's future. (AF/2003/821/01/02).

20. *UNMOVIC accepted recommendation 1 commenting that UNMOVIC revises its programme of work on a semi-annual basis to coincide with its (currently) semi-annual allotment requests.* OIOS is, however, referring to UNMOVIC's work programme as per paragraph 7 of Security Council resolution 1284. As stated in paragraph 15 of this report, OIOS will address this issue to the Secretary-General in a separate audit communication for the consideration of the Security Council, and keep this recommendation open pending further information.

21. *UNMOVIC accepted recommendation 2 commenting that internal preparations have been made regarding possible actions the Security Council may take on the mandate.* OIOS will close this recommendation upon receipt of UNMOVIC's revised work programme outlining adjustments to its requirements for staff and other resources.

UNMOVIC's budget proposals are not submitted to intergovernmental bodies for review

22. Contrary to provisions under Regulation 1.1 of ST/SGB/2000/8 regarding Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation (PPMBE), UNMOVIC's budget proposals are not submitted to intergovernmental bodies for review. Instead, UNMOVIC submitted requests for allotments to

the Controller, who issued allotments and related staffing table authorizations. Since 2004 UNMOVIC's requests for allotments were sent to the Office of the Secretary-General for approval and the Controller issued allotments against such approvals. A review of these allotment requests showed no linkage to UNMOVIC's draft programme of work of 16 March 2003. Furthermore, contrary to the requirement to formulate budgets in results-based budgeting format, allotment requests did not articulate objectives, expected accomplishments and indicators of achievements.

23. PPMBE Regulation 1.1 provides that "The present Regulations shall govern the planning, programming, monitoring and evaluation of all activities undertaken by the United Nations, irrespective of their source of funding". Three of the aims of the planning, programming, monitoring and evaluation cycle as outlined in the PPMBE's Preamble are: (a) To subject all programmes of the Organization to periodic and thorough reviews; (b) To afford an opportunity for reflection before choices among various types of action possible are made in light of the existing condition; and (c) To associate in that reflection all participants in the Organization's actions, especially the Member States and the Secretariat. In addition, budget instructions from the Controller require that estimated resources from extra budgetary funds are presented as an integral part of the programme budget supported by necessary justifications in prescribed forms and tables.

24. Similarly, ST/AI/284 states that "Proposed posts at the D-1 level and above must be endorsed by the Assistant Secretary-General for Financial Services, who will transmit the request to ACABQ to obtain its concurrence". Furthermore, according to Financial Regulation 4.13 "Trust funds and reserve and special accounts may be established by the Secretary-General and shall be reported to the Advisory Committee". The Secretary-General's report S/2000/292 pursuant to the Security Council resolution 1284 (1999) provides that UNMOVIC's Administrative Service "will manage the funds allocated to UNMOVIC and administer its staff in accordance with relevant United Nations regulations and rules".

25. As shown in Annex I, a cumulative total of \$227.5 million were allotted to UNMOVIC between 1998 and June 2005. Of this allotment \$162.8 was actually spent during the same period. Between two to ten D-1 level and above posts were authorized for UNMOVIC during 1999 and 2005.

26. OIOS is given to understand that due to the sensitive nature of UNMOVIC's work programme, its budget proposals are not submitted to the Advisory Committee on Administrative Questions (ACABQ) and the Fifth Committee. PPMBE Rule 101.1 allows exceptions by the General Assembly and by the Secretary-General regarding the submission of budget proposals to the intergovernmental bodies. OIOS requested OPPBA to provide evidences of exceptions from the General Assembly or the Secretary-General for not submitting UNMOVIC's budget proposals to the ACABQ and the Fifth Committee and also sought documentation on the views of the ACABQ and the Fifth Committee indicating their lack of interest to review UNMOVIC's budget. However, no evidence was provided to OIOS.

27. In the audit exit meeting on 30 June 2005, OPPBA explained that due to changes in the leadership in ACABQ and OPPBA, the only place where any documentation on the lack of interest by the Advisory Committee and the Fifth Committee may be available would be with the ACABQ Secretariat. At the same time, the UN Controller referred OIOS to paragraph 1, Article 12 of the United Nations Charter as a possible reason for not submitting UNMOVIC's budget proposal to the ACABQ. Paragraph 1 of the Article states that "While the Security Council is exercising in respect of any dispute or situation the functions assigned to it in the present Charter, the General Assembly

shall not make any recommendation with regard to this dispute or situation unless the Security Council so requests". This provision, however, is related to the functions and powers of the General Assembly on political issues. OIOS' issue, on the other hand, relates to compliance with Regulation 1.1 of ST/SGB/2000/8 by the Secretariat in submitting UNMOVIC's budget proposals to the Advisory Committee.

28. Subsequently, OIOS requested the Executive Secretary of the ACABQ Secretariat for any documentation submitted to the ACABQ to review UNMOVIC's budget proposals or to request an exemption from a review by legislative bodies. OIOS was informed that the ACABQ has no record of receiving UNMOVIC's budget proposals and that while there may have been informal verbal exchanges with ACABQ members, such exchanges were not documented. The ACABQ Secretariat also informed OIOS that they had not received any formal requests for this matter to be discussed.

Recommendations 3 and 4

OIOS, therefore, recommends that the Office of Programme Planning, Budget and Accounts should:

- (i) Apprise the Advisory Committee on Administrative and Budgetary Questions of the circumstances for not submitting the Commission's past budgets for the Advisory Committee's consideration in accordance with the regulations and rules governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation (AF/2003/821/01/03); and
- (ii) Seek written guidance from the Secretary-General or the General Assembly on the preparation of UNMOVIC's future budgets (AF/2003/821/01/04).

29. *OPPBA disagrees with recommendations 3 and 4 commenting that none of the budgets funded from the escrow account were reviewed or approved by the General Assembly. It would therefore be expected that ACABQ would not receive those budgets for review e.g. UNSCOM, UNMOVIC, UNCC, UNROP. Furthermore, neither ACABQ nor the Fifth Committee reviews budgets of unassessed funds, unless specific intergovernmental arrangements have been made for such a review, e.g. UNEP, HABITAT, UNHCR, UNODC, UNRWA, which have their own governing bodies or executive boards. OPPBA further stated that UNMOVIC is not considered a "programme" in the sense that it would fall under the PPBME Regulations and Rules. It further noted that Regulation 2.1 refers to the integrated management process to be reflected in medium-term plans, programme budgets, reports on programme performance, evaluation reports. The activities of UNMOVIC are not reflected in any of those instruments as applicable to the PPBME Regulations and Rules. The PPBME Regulations and Rules therefore did not apply to UNMOVIC (nor to a number of other activities of the United Nations).*

30. OIOS is not satisfied with OPPBA's explanation because it does not address the requirements pointed out under paragraph 23 above. It appears that OPPBA did not follow the established budgetary procedures for UNMOVIC, and there was no evidence of exception from the General Assembly or the Secretary-General for not following these procedures. It is not acceptable that over \$150 million were spent for UNMOVIC without affording the intergovernmental and expert bodies the opportunity to review relevant budgets. OPPBA had no established authority over such

appropriations as voted by Member States or exception granted by the General Assembly or the Secretary-General for issuing allotments to UNMOVIC. In its resolution 45/248 B of 21 December 1990, the General Assembly reaffirmed that "the Fifth Committee is the appropriate Main Committee of the General Assembly entrusted with responsibilities for administrative and budgetary matters", reaffirmed also the "role of the Advisory Committee on Administrative and Budgetary Questions" and invited "the Secretary-General to provide all intergovernmental bodies with the required information regarding procedures for administrative and budgetary matters". In its 7 September 2005 report on the management of the Oil for Food Programme, the Independent Inquiry Committee had also pointed out that "... documentary and other evidence indicates that ACABQ was excluded purposefully from Programme-related issues and that a mandated disclosure, regarding the creation of a senior post, was withheld from ACABQ. In July 1996, Yukio Takasu, then the United Nations Controller, wrote a memorandum to Yasushi Akashi, then Under-Secretary-General for Humanitarian Affairs, about the creation of an Assistant Secretary-General post under the Programme. Mr. Takasu advised that, "irrespective of the source of financing," creation of such a post would have "to be reported to the ACABQ and the General Assembly," which "would raise questions on the need for the post/position and would require justification of the functions." Therefore, OIOS reiterates Recommendations 3 and 4 and will keep these recommendations open in its database pending receipt of actions taken to implement the recommendations.

B. Staffing

Need to reduce staffing levels commensurate with current programme of work

31. At the time of inspections, UNMOVIC had 110 staff, which was reduced to 70 at the time of the audit in 2004. Approximately 40 of the reduced staff are classified as experts and the rest as Professional and General Service support staff. At the time of the audit, there were five other staff, comprising one international Professional, one international Field Service and three local General Service staff in Cyprus. Further, there was nine General Service local staff still in Baghdad, reporting to the UNMOVIC Chief of the Larnaca Field Office in Cyprus.

32. OIOS discussed at length with management the need to continue to maintain such a large group of experts when the situation in Iraq has changed since March 2003. Having established that there are no weapons of mass destruction in Iraq and having reviewed reports by U.S. Government specialists who have carried out post war searches of the same weapons of mass destruction, it is important that UNMOVIC propose an exit strategy to the Security Council on the continued necessity to maintain these experts and pay them using Iraq funds. There was speculation that the experts could continue to be used in other areas, as and when the Security Council decides.

33. OIOS pointed out to management, however, that the resources that are used to fund UNMOVIC were from Iraq resources, and that it would be unlikely that such resources would be used anywhere other than Iraq. Therefore, as there did not appear to be a continuing need for the programme with respect to Iraq, management's position did not appear properly grounded. While we agree that the future mandate of UNMOVIC remains an issue for the Security Council to decide, the preparation of a staff draw-down plan as part of the Commission's exit strategy is a management prerogative. Therefore, in OIOS' opinion, apart from the experts required to support the meetings of the College of Commissioners, UNMOVIC should move to review its staffing levels so as to include those that will not be fully engaged in the future, in an exit strategy staff draw-down plan. The same applies to the remaining administrative staff in Baghdad and Cyprus, as well as at Headquarters.

Recommendation 5

OIOS recommends that pending the decision of the Security Council on the future mandate of UNMOVIC, management should continue to review the current staffing levels so as to include those that will not be fully engaged in the future as part of an exit strategy staff draw-down plan (AF/2003/821/01/05).

34. *UNMOVIC accepts recommendation 5 commenting that UNMOVIC will review its staffing levels so as to include those that will not be fully engaged in the future, in an exit strategy draw-down plan.* OIOS will close this recommendation upon receipt of a copy of the exit strategy drawn-down plan outlining the revised staffing requirements.

Need to adhere to mandated age limits

35. UN personnel regulations, rules and procedures, subject staff to mandatory retirement at age 62 (60 for those who entered the service before 1990). A review of UNMOVIC staffing at the time of the audit revealed that at least five were over the mandatory retirement age of 62. We further noted that some of these staff members continue to be extended even though they have already passed the mandatory retirement age. OIOS, however, recognizes the necessity to extend beyond the mandatory retirement age under special circumstances.

Recommendation 6

OIOS recommends that UNMOVIC continue to follow the rules that mandate the retirement age of 62, and that where special circumstances for keeping someone beyond the age of retirement exist, this should be properly documented and approved by OHRM (AF/2003/821/01/06).

36. *UNMOVIC accepts recommendation 6 commenting that UNMOVIC has and will continue to follow the applicable procedures in such cases.* OIOS will close this recommendation in its database.

Continued recruitment by UNMOVIC

37. When a programme such as UNMOVIC is in a holding positioning pending a Security Council decision about its future, the expectation is that the staffing levels will be reduced to essential personnel. The audit revealed that UNMOVIC has recruited new staff members during the audit period. In OIOS' view, management should explain and fully justify any additional recruitment.

Recommendation 7

OIOS recommends that UNMOVIC refrain from recruiting net additional staff until the future of the programme is decided by the Security Council (AF/2003/821/01/07).

38. *UNMOVIC accepts recommendation 7 commenting that this has been UNMOVIC's practice since March 2003 when UN staff withdrew from Iraq.* OIOS will close this recommendation in its database.

Performance Appraisal Reports

39. Our review of Performance Appraisal System (PAS) Reports of UNMOVIC staff revealed that 11 out of 12 PAS reports sampled were not up to date at the time of the audit. Hence, work plans, goals and performance have not been reported for the period April 2003 through March 2004. While it is clear that there has been a disruption and/or a shift in the work plans of UNMOVIC staff due to the current situation, in order to ensure the efficient delivery of the programme, all PAS' should be completed and brought up to date. In the audit exit meeting on 30 June 2005, OIOS was informed that since this time, outstanding PAS' have been brought up to date.

Recommendation 8

OIOS recommends that UNMOVIC continue to ensure that all PAS Reports are completed and brought up to date in accordance with ST/AI/2002/3 (AF/2003/821/01/08).

40. *UNMOVIC accepts recommendation 8 commenting that all UNMOVIC PAS Reports are now up to date.* OIOS will close this recommendation in its database.

C. Inventory

Non-expendable property and attractive items

41. UN Financial Rule 105.20 requires that proper records be maintained for all non-expendable UN property and attractive items.

42. Our audit revealed that while UNMOVIC has maintained property records, they are essentially incomplete due to the inability of their technical staff to return to Baghdad. The records we reviewed did not show assets taken over from UNSCOM, for example.

43. Without full and accurate records it will be impossible to determine what assets were destroyed during the war, what assets were pilfered and what assets remain to be accounted for. The only remaining option is for UNMOVIC to go back to the original purchase orders and record all assets that should be recorded in order to establish total accountability. The difference between this figure and assets on hand will represent assets that have been lost, written off or pilfered.

44. However, OIOS recognizes that the bulk of the non-expendable property with incomplete records related to assets in Iraq. OIOS was informed that the reasons for incomplete property records in Iraq comprised: (a) the circumstances surrounding the resumption of inspections in Iraq in November 2002; (b) the cessation of inspections in March 2003; (c) the bombing of the Canal hotel in August 2003; and (d) the inability of UNMOVIC international staff to travel to Iraq. Despite these difficulties, UNMOVIC explained that it has conducted an inventory of non-expendable property in Iraq by matching items against purchase orders. And, as of March 2005, it has almost completed the inventory of assets in Baghdad and Cyprus and compiled a list of equipment to be forwarded to the Property Survey Board. The Commission, however, cautioned that it will not be possible to finalize an inventory until international technical experts are able to

return to Iraq because the prior inventory was conducted by Iraqi staff that were not technically conversant with some of the equipment.

45. With respect to assets taken over from UNSCOM, UNMOVIC informed OIOS that there was no detailed inventory of UNSCOM assets when the Commission was established. Nevertheless, OIOS was assured that when knowledgeable international staff are able to travel to Iraq, UNSCOM assets could be identified and they would be included in the UNMOVIC inventory.

Recommendation 9

OIOS recommends that UNMOVIC continue to take steps to bring its inventory records up to date by working from original purchase orders in order to determine total assets actually acquired and determining there from what cannot be accounted for and therefore should be written off (AF/2003/821/01/09).

46. *UNMOVIC accepts recommendation 9 commenting that UNMOVIC's inventory records are substantially complete. Work is ongoing on updating records of property in Iraq. However, this can only be completed once UNMOVIC experts are able to visit UNMOVIC's office in Iraq. OIOS will close this recommendation in its database.*

D. Financial Management

Need to maintain complete and accurate financial records

47. UNMOVIC is financed from 0.751 percent of the proceeds from the sale of Iraqi oil. The Commission also absorbed unspent funds of UNSCOM which were initially funded from voluntary contributions. The Controller's office issued periodic summaries of distributions to the various programmes under the Office of Iraq Programme (OIP). According to UNMOVIC, regular notifications on the status of its funds in the escrow account were received from the Controller since resolution 986 became operational and until 14 May 2003. OIOS noted that UNMOVIC received \$469,953,783 since the 1996/97 biennium as of 2002. In addition, UNMOVIC also earned an interest income of \$59,105,000 between 1996 and 2003. It is OIOS' view that at a minimum, the Commission should keep itself informed of its finances, including interest earned from balances invested in the UN investment pool. The information is essential in the preparation of its budget and in submitting allotment requests to the Controller.

48. The audit revealed no evidence that UNMOVIC utilized its official financial statements to review the status of its finances regarding income, expenditure and fund balance and compared the obligations and expenditures with the IMIS expenditure reports. UNMOVIC simply filed away the periodic summaries of fund distributions without any attempt to review periodic changes in the financial status or understand the underlying transactions. Since these summaries were updated regularly and figures changed, it is important to review these changes in order to ascertain their accuracy. Furthermore, UNMOVIC was not aware of the availability of \$59,105,000 as interest income.

49. OIOS' review of UNMOVIC's 2004 and 2005 allotment requests showed no information on its financial status regarding income and fund balance. UNMOVIC officials informed OIOS that there was no need to include this information in the allotment requests because the Commission had sufficient resources at all times. This explanation is contrary to the requirement under Financial

Rule 105.5(b), which provides that "Certifying Officers are responsible for managing the utilization of resources, including posts, in accordance with the purposes for which the resources were approved, the principles of efficiency and effectiveness and the Financial Regulations and Rules of the United Nations. Certifying Officers must maintain detailed records of all obligations and expenditures against the accounts for which they have been delegated responsibility".

50. The Accounts Division explained that it is the Controller's responsibility to maintain and prepare financial reports for the Organization and that UNMOVIC needs to know only the allotments issued and the expenditures recorded. We believe however that it does not preclude UNMOVIC from being fully informed about the complete state of their finances, which adds to the transparency in the Organization's activities. The Organizational Plan for UNMOVIC, transmitted under S/2000/292, dated 6 April 2000, and approved by the Security Council in S/2000/311, dated 13 April 2000, states, in regard to UNMOVIC Administrative Service: "It will manage the funds allocated to UNMOVIC and administer its staff in accordance with the relevant United Nations regulations and rules." It further indicates that: "The Service will further carry out the functions relating to the financial management of the offices of UNMOVIC in New York and in the field."


Recommendation 10

OIOS recommends that UNMOVIC should use financial statements prepared by OPPBA to review its financial status regarding income, expenditure and fund balance, obligations and expenditures to ensure that they agree with those reflected in the IMIS expenditure reports in accordance with financial rule 105.5(b) (AF/2003/821/01/10).

51. *UNMOVIC accepts recommendation 10 commenting that UNMOVIC will continue to coordinate with OPPBA.* OIOS will close this recommendation in its data base.

V. ACKNOWLEDGEMENT

52. We wish to express our appreciation for the assistance and cooperation extended to the auditors by the staff of UNMOVIC and the Office of Programme Planning, Budget and Accounts.


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

UNMOVIC's Allotments, Expenditures and Posts from 1998 to June 2005

	1998-99 IMIS	2000-01 IMIS	2002-03 IMIS	2004-05 IMIS	Total IMIS
I. IAEA - Vienna (9222)					
Allotment	3,306,100	2,865,640	9,421,147	5,764,044	21,356,931
Expenditure	3,161,263	2,863,789	8,003,096	4,558,440	18,586,587
II. Bahrain-Baghdad (9945+9221)					
Allotment	11,212,500	533,848	9,861,227	289,300	21,896,875
Expenditure	11,043,974	428,397	9,284,947	329,530	21,086,849
III. New York (9944 + 9220)					
Allotment	35,841,992	25,058,001	100,205,177	20,330,991	181,436,161
Expenditure	35,095,038	23,725,439	52,740,841	17,655,278	129,216,596
IV. Cyprus (9689)					
Allotment	0	0	2,065,200	764,387	2,829,587
Expenditure		0	1,073,120	717,625	1,790,745
V. Dept of Mgnt (0006)					
Allotment	0	212,830	2,349,694	1,621,924	4,184,448
Expenditure			2,346,386	1,614,599	3,960,985
VI. Total					
Allotment	50,360,592	28,670,319	123,902,445	28,770,646	231,704,002
Expenditure	49,300,275	27,017,625	73,448,389	24,875,473	174,641,762
VII. Accounts Figures					
Expenditure	49,300,275	27,017,625	73,448,389	24,875,473	174,641,762
Interest Income	2,907,569	25,432,001	28,642,983	9,345,044	66,327,597

Staffing Table Authorizations					
Account	Date	Levels			Total
		D-1 and above	P	GS/FS/LL	
9899-ESE-9220-ST01	04/12/1997	3	13	41	57
9899-ESE-9220-ST04	17/12/1999	2	4	18	24
0001-ESE-9220-ST03	20/01/2000	2	5	19	26
0001-ESE-9944-ST02	26/04/2000	3	5	21	29
0001-ESE-9944-ST03	29/06/2000	10	54	24	88
0202-ESE-9944-ST03	23/10/2002	10	95	33	138
0001-ESE-9945-ST02	20/12/2000			4	4
0203-ESE-9945-ST01	07/01/2002			4	4
0203-ESE-1720-ST05	30/01/2003	11	95	38	144
0405-ESE-1720-ST02	30/12/2004	10	50	20	80

UNITED NATIONS



OIOS Client Satisfaction Survey

Audit of: Audit of the United Nations Monitoring, Verification and Inspection Commission (UNMOVIC) **(AF2003/821/01)**

	1	2	3	4	5
By checking the appropriate box, please rate:	Very Poor	Poor	Satisfactory	Good	Excellent
1. The extent to which the audit addressed your concerns as a manager.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. The audit staff's understanding of your operations and objectives.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Professionalism of the audit staff (demeanour, communication and responsiveness).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. The quality of the Audit Report in terms of:					
• Accuracy and validity of findings and conclusions;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Clarity and conciseness;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Balance and objectivity;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Timeliness.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. The extent to which the audit recommendations were appropriate and helpful.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. The extent to which the auditors considered your comments.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Your overall satisfaction with the conduct of the audit and its results.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please add any further comments you may have on the audit process to let us know what we are doing well and what can be improved.

Name: _____ Title: _____ Date: _____

Thank you for taking the time to fill out this survey. Please send the completed survey as soon as possible to:

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