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MEDITERRANEAN ACTION PLAN

Extended Meeting of the Bureau of the Contracting Parties to the
Convention for the Protection of the Marine Environment
and the Coastal Region of the Mediterranean and its Protocols

Athens, Greece, 3-5 October 2011

AUDIT REPORT

United Nations Nations Unies

INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

OFFICE OF INTERNAL OVERSIGHT SERVICES - BUREAU DES SERVICES DE CONTRÔLE INTERNE

INTERNAL AUDIT DIVISION - DIVISION DE L'AUDIT INTERNE

TO: Mr. Achim Steiner, Executive Director
A: United Nations Environment Programme

DATE: 6 September 2011

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

REFERENCE: IAD: 11- 00555

SUBJECT: **Assignment No. AA2010/220/05 – Audit of the financial performance of the UNEP**
OBJET: **Mediterranean Action Plan**

Overall results relating to the financial management of trust funds were unsatisfactory

1. Attached please find the final report on the above-mentioned audit.
2. Annex-I shows the status of recommendations. Please note that OIOS will report on the progress made to implement its recommendations in its annual report to the General Assembly and to the Secretary-General, quarterly for critical recommendations (No.7) and annually for important recommendations (Nos. 1 - 6, 8, and 9).
3. Please note that under General Assembly resolution 59/272, a Member State may request that the final audit report be made available. Also, note that pursuant to General Assembly resolution 64/263, OIOS will include the complete management response as an appendix to the present report.
4. We wish to express our appreciation to the management and staff of UNEP for the assistance and cooperation extended to the auditors during the assignment.

cc: Ms. Maria Luisa Silva Mejias, Executive Secretary and Coordinator, UNEP/MAP
Mr. Michele Candotti, Chief of the Executive Office, UNEP
Mr. Ibrahim Thiaw, Director, Division of Environmental Policy Implementation, UNEP
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AUDIT REPORT

Audit of the financial performance of the UNEP Mediterranean Action Plan

BACKGROUND

The Barcelona Convention for the Protection of the Marine Environment and the Coastal Region of the Mediterranean (the Convention) has 21 countries and the European Union as Contracting Parties (COP). The main objectives of the Convention are to: (a) assess and control marine pollution; (b) ensure sustainable management of natural marine and coastal resources; (c) integrate the environment in social and economic development; (d) protect the marine environment and coastal zones through prevention and reduction of pollution, and as far as possible, elimination of pollution, whether land or sea-based; (e) protect the natural and cultural heritage; (f) strengthen solidarity among Mediterranean coastal States; and (g) contribute to improvement of the quality of life. The COP decides on Mediterranean Action Plan (MAP) strategies, budget and programmes.

The COP designated the United Nations Environment Programme (UNEP) as the organization responsible for carrying out the secretariat functions for the Convention. The MAP Secretariat (UNEP/MAP) was established in 1980 and is hosted by the Government of Greece in Athens. In 2010, the Athens Office had eight Professional and seventeen General Service posts. Additional support was provided by the personnel of the six Regional Activity Centres (RACs). The RACs are responsible for supporting the implementation of MAP's work programme and account for about 50 percent of MAP's activities and resources.

MAP's activities are primarily financed by the COP through their contributions to the Trust Fund for the Protection of the Mediterranean Sea Against Pollution (MTF: UN fund code MEL). Other main sources of funding to support specific projects and activities include voluntary contributions from the European Union (UN fund code QML); the Government of Greece Support of the Mediterranean Action Plan (UN fund code CAL); and the Global Environment Facility (GEF) which implements joint projects with MAP. In 2004, the COP adopted the Euro as the currency of MAP and started to budget and to record their transactions in this currency. The MAP budget for biennium 2010-2011 as presented to the COP was estimated at around €15.7 million.

In November 2010, the Bureau of the COP, in its 71st meeting, took note of the MAP financial situation as indicated in document UNEP/BUR/71/Inf.3, the explanation by the Secretariat (UNEP HQ and Coordinating Unit), including the presentation made by UNEP HQ and decided to request OIOS to conduct an audit of the financial management of the MTF and the other extra budgetary funds for the period 2002-2009, according to the Terms of Reference provided in Annex II.

OBJECTIVE AND SCOPE

The audit was conducted to assess whether UNEP/MAP effectively implemented adequate risk management, control and governance processes to provide reasonable assurance regarding the financial management of the trust funds in support of MAP activities. The key controls tested for the audit included those related to: (a) risk management and financial forecasting; and (b) regulatory framework. The audit covered UNEP/MAP activities related to the two key controls during the period 2002-2011 and took into consideration the terms of reference provided by the Bureau of the Contracting Parties to the Barcelona Convention in its 71st meeting.

AUDIT RESULTS

In OIOS' opinion, UNEP's risk management, control and governance processes examined were **unsatisfactory** to provide reasonable assurance regarding the financial management of trust funds supporting implementation of MAP activities.

The budget proposals presented to the COP for the period 1994 to 2011 included overestimations of income due to inclusion of inappropriate sources of income, which remained undetected because of non-involvement of the UNEP Headquarters in the budget preparation, review and clearance processes before the proposals were presented to the COP. Controls over creation of allotments and monitoring of inter-fund borrowing positions were inadequate, which resulted in negative fund balances totaling \$5.1 million for the MEL and CAL trust funds as at the end of the biennium 2009. The deficit was funded through inter-fund borrowings, which stood at over \$5.9 million as at 31 December 2009 for the two trust funds. The QML fund had a positive fund balance of \$3.2 and a positive inter-fund position of \$2.3 million. With regard to accounting systems, UNEP and UNON did not have appropriate tools to record and report on financial transactions made in Euros.

Significant adjustments to the proposed 2010-2011 projected income are required

The budget proposals presented to the COP for the period 1994 to 2011 included overestimations of income due to inclusion of inappropriate sources of income. This resulted in negative closing fund balances of \$4,508,000 and \$603,000 on the trust fund for the Protection of the Mediterranean Sea Against Pollution (MEL) and on the Support of the Mediterranean Action Plan by the Government of Greece (CAL) respectively at the end of biennium 2009. However, European Union's Support for the Mediterranean Action Plan (QML) had a positive position of \$3,237,717 as at 31 December 2009.

(1) The Executive Director of UNEP should ensure that MAP budget proposals are corrected to reflect income projections accurately.

UNEP accepted recommendation 1 and stated that UNEP had already revised income projections and had taken a number of immediate measures to limit expenditure within the revised income projections. Based on the actions taken by UNEP, recommendation 1 is closed.

Need to strengthen MAP budget preparation process

The MAP budget was prepared by UNEP/MAP and approved by the COP every biennium. UNEP Headquarters was not involved during the budget preparation, review and clearance prior to its submission to the COP for approval. Therefore, an opportunity was lost for review, validation of the draft budget, and input by the UNEP HQ, which resulted in non-detection of irregularities in the budgets.

(2) The Executive Director of UNEP should involve UNEP Headquarters in reviewing and clearing draft budget proposals for UNEP/MAP prior to their submission to the Contracting Parties for approval.

UNEP accepted recommendation 2 and stated that the Executive Director had extended the standing instructions that all budget proposals for MEAs have to be reviewed and endorsed by UNEP Headquarters prior to submission to the COP, and to the Regional Seas Programmes including MAP. To further strengthen this process, UNEP has established the position of Senior Trust Fund Manager within the Corporate Services Section, while more detailed budget and allotment approval procedures are being finalized. Based on the action taken by UNEP, recommendation 2 is closed.

(3) The Executive Director of UNEP should determine accountability of UNEP/MAP Administrative and Fund Management Officers for the preparation of the inappropriate budget proposals and the UNEP/MAP Coordinators for inability to detect the inappropriateness of budget proposals that were presented to Contracting Parties for the budget period 1994 to 2011.

UNEP accepted recommendation 3 and stated that a panel of qualified UN staff will be established by the Executive Director to review the budget proposals and provide findings and recommendations on possible negligence by any of the actors involved. The Executive Director will advise the COP and OIOS of the outcome of the review and further corrective action to be taken by 30 March 2012. Recommendation 3 remains open pending receipt of the Executive Director's advice on outcome of the review by the panel and further corrective action to be taken.

Allotments not supported by actual receipts of income

After the COP approved the budget, UNEP created allotments for project without adequate controls to phase the allotments in line with actual budgeted income received. This resulted in UNEP/MAP spending funds it did not have. The deficit was funded through inter-fund borrowing that stood at \$5.9 million for the MEL and CAL, while the QML had a positive position of \$2.3 million as at 31 December 2009.

(4) The Executive Director of UNEP should request the Contracting Parties to reimburse funds spent on project activities approved by the Parties but not funded because of over-estimation of income in the budget proposals.

UNEP accepted recommendation 4 and stated that the adoption of a budget based on an over-estimation of income had led to the implementation of more programme activities than actual funding allowed which resulted in the financial deficit. UNEP has already presented initial scenarios for deficit recovery to the Bureau of the Barcelona Convention in November 2010, and is in the process of developing more elaborate scenarios for deficit recovery for review by the Extraordinary Meeting of the Bureau later this year and approval by the COP at its next session. Recommendation 4 remains open pending receipt of a decision by the Extraordinary Meeting of the Bureau on the deficit recovery.

(5) The Executive Director of UNEP should establish adequate controls for the creation of allotments to ensure commitments do not exceed available resources.

UNEP accepted recommendation 5 and stated that UNEP was developing detailed budget and allotment procedures and that all allotments would be cleared with the Corporate Services Section prior to entering into the Integrated Management Information System (IMIS). Recommendation 5 remains open pending OIOS receipt of copies of the budgeting and allotment procedures once developed.

(6) The Executive Director of UNEP should determine accountability of UNEP staff for the creation of inappropriate allotments to fund MAP activities and for inability to detect the inappropriateness of allotments.

UNEP accepted recommendation 6 and stated that a panel of qualified UN staff would be established by the Executive Director to review the allotments issued and provide findings and recommendations on possible negligence by any of the actors involved. The Executive Director would advise the COP and OIOS of the outcome of the review and further corrective action to be taken by 30 March 2012. Recommendation 6 remains open pending receipt of the Executive Director's advice on outcome of the review by the panel and further action to be taken.

Responsibilities of UNEP and UNON for monitoring borrowings between UNEP-administered funds need to be clarified

The roles and responsibilities of UNEP and UNON regarding financial management of MAP were not clear, which resulted in poor accountability in the provision of financial management services, and contributed to excessive inter-fund borrowing.

(7) The Executive Director of UNEP should clearly define and agree with the Director-General of UNON what services, and related responsibility, UNON should be providing to UNEP Offices Away from Headquarters (OAH), such as UNEP/MAP in this case, in order to enhance accountability.

UNEP accepted recommendation 7 and stated that UNEP would engage in high-level consultations with UNON and the Department of Management to delineate the exact definitions of delegation of authority and responsibility between UNEP and UNON on financial and all other administrative matters, including Human Resources. Recommendation 7 remains open pending receipt of the outcome of consultations between UNEP, the Department of Management, and UNON on the exact definitions of delegation of authority and responsibility between UNEP and UNON on financial and all other administrative matters.

Controls over management of cash advances to Regional Activity Centres need improvement

UNEP had outstanding advances to RACs and UNEP/MAP amounting to the equivalent of about \$3.4 million and \$2.6 million as at 31 December 2009 and 31 December 2010. This was due to inconsistency in the application of controls over disbursement and liquidation of advances. In addition, there were discrepancies, equivalent to \$1million, in outstanding balances between RACs' records and those of UNEP.

(8) The Executive Director of UNEP should review the existing mechanism for monitoring and management of advances to ensure that no new advances are made until the previous ones have been fully justified and recorded in the accounting system.

UNEP accepted recommendation 8 and stated that UNEP issued instructions on 26 July 2011 to the RAC that no new cash advances would be paid until the previous ones have been reported and approved. In addition, the obligation of cash advances and recording of expenditures in IMIS has been decentralized to the UNEP/MAP in order to speed up the process of obligating and recording of expenditures, whilst at the same time assuring a higher level of accuracy by having a single entry point of recording data. Based on the action taken by UNEP, recommendation 8 is closed.

(9) The Executive Director of UNEP should ensure that UNEP undertakes a full review of its actual outstanding advances for each Regional Activity Centre and take corrective actions on inaccuracies.

UNEP accepted recommendation 9 and stated UNEP had already made substantial progress in the reduction of outstanding advances. UNEP, in cooperation with the RAC and UNON would undertake a further detailed review of outstanding advances and take corrective actions with regards to inaccuracies relating to currencies, programme support costs and exchange rate differences by 29 February 2012. Recommendation 9 remains open pending receipt of confirmation that UNEP has completed the detailed review of outstanding advances and taken corrective actions accordingly.

ACKNOWLEDGEMENT

OIOS wishes to express its appreciation to the Management and staff of UNEP and UNON for the assistance and cooperation extended to the auditors during this assignment.

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I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the financial performance of the United Nations Environment Programme Mediterranean Action Plan (UNEP/MAP) in Athens Greece.

II. AUDIT OBJECTIVE

2. This audit was conducted to assess whether UNEP/MAP effectively implemented adequate risk management, control and governance processes to provide reasonable assurance regarding the financial management of the trust funds in support of MAP activities. The key controls tested for the audit included those related to: (a) risk management and financial forecasting; and (b) regulatory framework. For the purpose of this audit, OIOS defined these key controls as follows:

(a) Risk management and financial forecasting – those controls that are designed to provide reasonable assurance that risks relating to the financing of the Organization's operations are identified and assessed, and that a financial forecasting exists to anticipate and plan for shortfalls.

(b) Regulatory framework – those controls that are designed to provide reasonable assurance that policies and procedures exist to guide the operations of UNEP/MAP in budget and finance, and information and communication technology.

III. AUDIT SCOPE AND METHODOLOGY

3. OIOS conducted this audit from December 2010 to March 2011.

4. To gain a general understanding of the processes of UNEP/MAP financial management activities, OIOS interviewed UNEP officials at the UNEP Headquarters in Nairobi, Kenya as well as at MAP offices in Athens, Greece. OIOS also interviewed officials from the Budget and Financial Management Service (BFMS) of the United Nations Office at Nairobi (UNON) since UNON was responsible for providing administrative services to UNEP. The audit team conducted an activity-level risk assessment to identify and evaluate specific risk exposures and to confirm the relevance of the selected two key controls in mitigating the associated risks.

5. OIOS reviewed budgetary and accounting processes and related documentation of UNEP/MAP, including management practices and controls for budget allotment, recording and reporting on income and expenditure. The review also covered UNEP/MAP processes performed at the UNEP and at UNON.

6. OIOS took into consideration the Terms of Reference (TOR) (Annex II) for the audit as requested by the Bureau of the Contracting Parties to the Barcelona Convention in its 71st meeting, which took place in Zagreb Croatia, from November 8 to 9, 2010. However, item number seven in the terms of reference, relating to misposting of transactions, was not assessed during this audit as OIOS considered it would involve deployment of significant audit resources over a long period of time for activities that were assessed to have a lower overall risk ranking.

7. The audit covered the period 2002-2009; however, in order to establish origin and consistency of practices over time, the audit also reviewed selected budget documents for the period 1994-2011.

IV. OVERALL ASSESSMENT

8. In OIOS' opinion, UNEP's risk management, control and governance processes examined were **unsatisfactory** to provide reasonable assurance regarding the financial management of trust funds supporting the implementation of MAP activities. Budget proposals presented to the Contracting Parities (COP) for the period 1994 to 2011 included overestimation of income, due to inclusion of inappropriate sources of income, which remained undetected because of non-involvement of the UNEP HQ in the budget preparation, review and clearance processes before the proposals were presented to the COP. Inadequate controls over creation of allotments and poor monitoring of inter-fund borrowing positions resulted in negative fund balance of \$5.1 million for the MEL and CAL trust funds of UNEP/MAP as at the end of the biennium 2009. The deficit was funded through inter-fund borrowings, which stood at over \$5.9 million as at 31 December 2009 for the two trust funds. The QML fund had a positive fund balance of \$3.2 million and a positive inter-fund position of \$2.3 million. With regard to information and communication technology, the Integrated Management Information Services (IMIS) tool that UNEP and UNON used to record and report transactions in Euros was inadequate, resulting in inaccurate and unreliable management information for decision-making.

V. AUDIT RESULTS

A. Risk management and financial forecasting

9. Budget proposals included inappropriate sources of income. UNEP HQ was not involved in the budget preparation, review, and clearance processes before budget proposals were presented to the COP resulting in wrong budget assumptions remaining undetected.

Significant adjustments to the proposed 2010-2011 projected income are required

10. UNEP/MAP presented the following budget for 2010/2011:

Table 1: MAP budget for 2010-2011 (in Euros)

	2010	2011
Income		
MTF Assessed contributions (MTF)	5,540,571	5,540,571
Government of Greece contribution (CAL)	440,000	440,000
UNEP counterpart contribution	15,000	15,000
Voluntary contributions from European Union (QML)	598,568	598,568
Total contributions	6,594,139	6,594,139
Unpaid Contributions for prior years including 2008 *		1,332,449
Bank Interest *		262,661
Provision from revolving fund *		969,733
Total expected income	7,880,651	7,872,462
Commitments		
Commitments	7,067,741	7,060,141
Programme support cost	812,910	812,321
Total commitments	7,880,651	7,872,462
* Budgeting assumptions include use of arrears, advanced interest on bank account and revolving funds to cover for budgeted expenditures.		

11. The UNEP financial report and statements for the biennium ended 31 December 2009 showed negative closing fund balances of \$4,508,000 and \$603,000 on the Trust Fund for the Protection of the Mediterranean Sea Against Pollution (MEL) and on the Support of the Mediterranean Action Plan by the Government of Greece (CAL), respectively as a result of expenditure exceeding income (refer to Table 2). As at the end of the biennium, the Statement of income and expenditure and changes in reserves for the European Union's Support for the Mediterranean Action Plan (QML) had a positive position of \$3,237,717. UNEP MAP financed the deficits on the MEL and CAL Trust Funds by borrowing from other funds administered by UNEP. As at 31 December 2009, UNEP/MAP's inter-fund borrowing position was in excess of \$5.9 million.

Table 2: MEL, CAL and QML financial performance for biennium ended 31 December 2009 (in thousands of USD)

Fund	Opening fund balance as at 1 January 2008	Income	Expenditure	Adjustments	Closing fund balance as at 31 December 2009
MEL	1,216	15,822	(21,026)	(520)	(4,508)
CAL	3	842	(1,449)	1	(603)
QML	1,072	5,356	(3,178)	(12)	3,238
					(1,873)

Source: UNEP financial report and statement for biennium ended 31 December 2009

12. The COP provides income to UNEP/MAP through assessed contributions on a biannual basis. Assessed contributions are included as income in the relevant budget period. From 1994 to 2011, UNEP/MAP, however, included unpaid assessed contributions of a given biennium as income in the budgets for the following biennium (refer to Table 3 below). This practice did not take into account the fact that the unpaid contributions were already committed to expenditure during the period in which they were due, and therefore, should not have been included as income in the following biennia. As a result, budgeted income was over-estimated by at least \$14.0 million during the period 1994 to 2011.

Table 3: Unpaid contributions included as budgeted income from 1994 to 2011

Budget period	Unpaid contributions in original currency	Income overstatement in USD
1994-1995	\$ 2,186,000	2,186,000
1996	\$ 1,540,814	1,540,814
1997	Not available	Not available
1998-1999	\$ 650,562	650,562
2000-2001	\$ 1,280,996	1,280,996
2002-2003	€1,320,000	1,647,940
2004-2005	€1,020,000	1,207,101
2006-2007	€1,100,000	1,603,499
2008-2009	€1,500,000	2,164,502
2010-2011	€1,332,449	1,750,919
Total		14,032,332

*Shown only in ten decimal places

13. Furthermore, during the period 2002-2009, UNEP/MAP over-estimated the MAP income by including in budgets bank interest to be earned totaling some \$2.3 million (€1.7 million). Given that MAP had negative balances in UNEP inter-fund borrowing during the period 2004-2009 (Table 4 refers) and that overall MAP owed monies to other UNEP-administered trust funds, no bank interest should have been budgeted as income for MAP.

Table 4: Over-estimation of bank interest

Year/Fund	MAP's net borrowing from other UNEP-administered funds in USD				Budgeted bank interest in Euro	Budgeted bank interest in USD
	MEL	CAL	QML	Net borrowing position		
2002-2003	3,269,886	216,305	197,402	3,683,593	495,000	617,978
2004-2005	-4,460,353	-149,980	-1,397,499	-6,007,832	460,000	544,379
2006-2007	-2,385,288	42,154	390,473	-1,952,661	390,000	568,513
2008-2009	-5,392,329	-577,329	2,286,581	-3,683,077	390,000	562,771
Total budgeted bank interest					€1,735,000	\$2,293,641

14. In addition, UNEP/MAP managed a revolving fund on behalf of the Barcelona Convention. According to the TOR for the revolving fund, UNEP/IG.14/9 Annex IX dated 20 April 1979, the fund was established in order “to provide financial support for the MAP” by “defraying the costs of activities directly derived from the Barcelona Convention and its related protocols”. The revolving fund was to be built up using contributions from the COP. However, until 2009, there was no policy providing guidance on using the revolving fund, the mechanisms for reconstitution, as well as minimum levels, if any, to be observed.

15. During the period 1994 to 1996, UNEP/MAP included in MAP expenditures provisions to the revolving fund amounting to about \$2.8 million. The revolving fund was subsequently depleted to provide income for the MAP budgets (see Table 5). In reality, there was no surplus income to afford the constitution of the revolving fund. The practice therefore hindered budgetary transparency.

Table 5: Movements of the revolving fund during the period 1994-2011

Budget period	Provision to revolving fund included as part of expenditure/commitment	Provision from revolving fund included as income in original currency	Provision from revolving fund included as income (in USD)
1994-1995	\$1,007,096	0	0
1996	\$1,788,700	0	0
1997	N/A	N/A	N/A
1998-1999		\$750,000	750,000
2000-2007	0	0	0
2008-2009	0	€601,506	867,974
2010-2011	0	€69,733	1,274,288
Total	\$2,795,796		\$2,892,262

16. The Government of Greece had initially committed to contribute \$400,000 per year to the CAL fund. After the COP's decision to adopt the Euro for accounting purposes, the Government's contribution was re-assessed at €440,000 per year at the prevailing exchange rate at that time. However, despite budget approvals in each biennium which included €440,000, the host country's actual contribution remained the Euro equivalent of \$400,000 converted at prevailing rates. This resulted in accumulation of unpaid contributions of €743,178 as at 31 December 2009. This issue had already been raised in AA2008/220/04 "Audit of financial performance of UNEP/MAP". According to UNEP/MAP, the host country accumulated unpaid contributions because the Greek Parliament has to yet ratify the revised assessed contribution. At the time of the audit, UNEP/MAP was discussing the matter with the host country to find a solution.

Recommendation 1

(1) The Executive Director of UNEP should ensure that MAP budget proposals are corrected to reflect income projections accurately.

17. *UNEP accepted recommendation 1 and stated that the recommendation had already been implemented. The proposed budget 2012-2013 is based on the MTF assessed contributions for 2012-2013, the yearly contribution of the Government of Greece (US \$400,000) and the annual voluntary contribution from the European Union. No prior year unpaid pledges have been included, nor any interest income. With regards to the current COP-approved 2010-2011 budget, UNEP has already revised income projections and has taken a number of immediate measures to limit expenditure within the revised income projections. These included MTF budget reductions for the RAC's and the Secretariat by 14 percent, a budget reduction on the CAL account of US \$ 200,000 and a strict monitoring of administrative and post expenditures. In addition, UNEP has provided a one-time contribution of \$1,013,191 from its Special Account for Programme Support Costs to reduce the MTF deficit. Furthermore, UNEP, in close consultation with the Contracting Parties, has undertaken dedicated efforts to follow up on unpaid prior year pledges, which have been reduced to US \$491,438 as at 30 June 2011 and pertain in essence to one country. Based on the actions taken by UNEP, recommendation 1 is closed.*

Need to strengthen MAP budget preparation process

18. The MAP budget is prepared by UNEP/MAP and approved by the COP every biennium. The process starts with consultations between the Coordinating Unit and the six regional activity centres (RACS) to identify possible activities to be undertaken within the indications given by the Coordinating Unit. The MTF budget figures allocated to each component are traditionally proportional to previous allocations. The Coordinating Unit of UNEP/MAP discusses the overall approach with the Bureau of the Contracting Parties, which agrees on it as well as on an indicative planning figure. The Bureau is appointed by the COP to assume COP responsibilities during the interval between meetings of the COP. Consultations are then held on substance with the component focal points. Thereafter, the Governance Programme Officer of UNEP/MAP consolidates the activities into work plans and the Administrative and Fund Management Officer consolidates the costs of activities provided by RACs. The UNEP/MAP Coordinator then reviews the plans before they are discussed with the Bureau representatives. UNEP/MAP then formally presents the budget to the COP for review and approval. Once approved, UNEP/MAP submits the budget to the Division of Environmental Policy Implementation (DEPI) at the UNEP HQ for reference purposes. The budget is then used as a basis for the preparation and approval of project documents, creation of allotments and certification of expenditure. The processes described above were those in place at the time of the audit, and could have been different for prior years.

19. UNEP HQ was not involved during the budget preparation, review and clearance prior to its submission to the COP for approval. There was no evidence of any feedback given by UNEP HQ to UNEP/MAP on the appropriateness of the budgets. UNEP HQ's involvement was limited to reviewing and approving the project documents based on the approved budgets. Therefore, an opportunity was lost for review, validation of the draft budget, and input by the UNEP HQ, which resulted in non-detection of irregularities in the budgets.

Recommendations 2 and 3

(2) The Executive Director of UNEP should involve UNEP Headquarters in reviewing and clearing draft budget proposals for UNEP/MAP prior to their submission to the Contracting Parties for approval.

(3) The Executive Director of UNEP should determine accountability of UNEP/MAP Administrative and Fund Management Officers for the preparation of the inappropriate budget proposals and the UNEP/MAP Coordinators for inability to detect the inappropriateness of budget proposals that were presented to Contracting Parties for the budget period 1994 to 2011.

20. *UNEP accepted recommendation 2 and stated that the Executive Director had extended the standing instructions that all budget proposals for MEA have to be reviewed and endorsed by UNEP Headquarters prior to submission to the COP, and to the Regional Seas Programmes including MAP. To further strengthen this process, UNEP has established the position of Senior Trust Fund Manager within the Corporate Services Section, while more detailed budget and allotment approval procedures are being finalized. Based on the action taken by UNEP, recommendation 2 is closed.*

21. *UNEP accepted recommendation 3 and stated that a panel of qualified UN staff will be established by the Executive Director to review the budget proposals and provide findings and recommendations on possible negligence by any of the actors involved. The Executive Director will advise the COP and OIOS of the outcome of the review and further corrective action to be taken by 30 March 2012. Recommendation 3 remains open pending receipt of the Executive Director's advice on outcome of the review by the panel and further corrective action to be taken.*

B. Regulatory framework

22. Regulatory framework was unsatisfactory. The roles and responsibilities of UNEP and UNON regarding financial management of UNEP/MAP were not clear. UNEP/MAP had a negative fund balance of \$5.1 million as at the end of the biennium 2009 for the MEL and CAL trust funds. The deficit was funded through inter-fund borrowings, which stood at over \$5.9 million as at 31 December 2009 for the two trust funds. This was a result of inadequate controls over allotments and poor monitoring of inter-fund borrowing positions. In addition, UNEP and UNON did not have appropriate information and technology tools to record and report transactions made in Euros.

Allotments not supported by actual receipts of income

23. After the COP approved the budget, UNEP/MAP sent the approved budget to UNEP/DEPI for information only and proceeded to develop project documents. The project documents were then certified by the Administrative and Fund Management Officer and the Coordinator at UNEP/MAP. Thereafter, the Director of DEPI as well as the Head of Corporate Services Section (CSS) at UNEP HQ reviewed and approved the project documents. Once approved, the projects were created in the Integrated Management Information System (IMIS) at UNEP HQ. Subsequently, UNEP/MAP administrative staff created allotments in IMIS, which were then certified by the Administrative and Fund Management Officer.

24. UNEP HQ did not require allotments to be phased in line with actual budgeted income received. Hence, once an allotment was certified, funds (whether received or not) were spent on approved project activities, using UNEP inter-funds borrowing facility. Both the Fund Management Officer for UNEP/DEPI and the former Administrative and Fund Manager for UNEP/MAP explained that since contributions from the Contracting Parties were not always received on time, it would be difficult to implement projects without making allotments prior to receiving income. The current practice of creating allotments for expenditure without corresponding income being received allowed UNEP/MAP to spend funds it did not have. There is a need for UNEP HQ to liaise with the Parties to recover the funds, spent on MAP activities, which have been borrowed from the other funds administered by UNEP. As at 31 December 2009, UNEP/MAP had negative closing fund balances of \$4,508,000 and \$603,000 on the MEL and CAL respectively and a deficit inter-fund borrowing position in excess of \$5.9 million for the two trust funds.

Recommendations 4 to 6

(4) The Executive Director of UNEP should request the Contracting Parties to reimburse funds spent on project activities approved by the Parties but not funded because of over-estimation of income in the budget proposals.

(5) The Executive Director of UNEP should establish adequate controls for the creation of allotments to ensure commitments do not exceed available resources.

(6) The Executive Director of UNEP should determine accountability of UNEP staff for the creation of inappropriate allotments to fund MAP activities and for inability to detect the inappropriateness of allotments.

25. *UNEP accepted recommendation 4 and stated that the adoption of a budget based on an over-estimation of income had led to the implementation of more programme activities than actual funding*

allowed. This has resulted in a financial deficit. UNEP has already presented initial scenarios for deficit recovery to the Bureau of the Barcelona Convention in November 2010, and is in the process of developing more elaborate scenarios for deficit recovery for review by the Extraordinary Meeting of the Bureau later this year and approval by the COP at its next session. UNEP expected to implement recommendation 4 by 31 January 2012. Recommendation 4 remains open pending receipt of a decision by the Extraordinary Meeting of the Bureau on the deficit recovery.

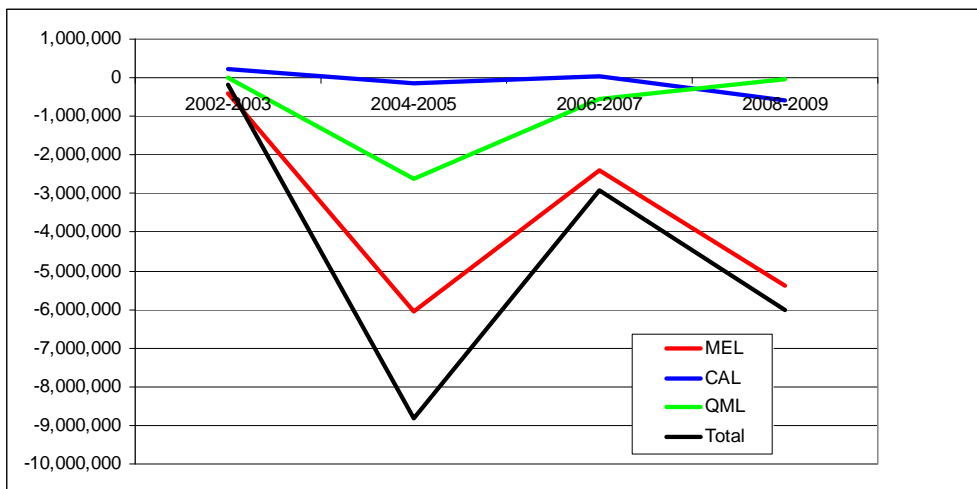
26. UNEP accepted recommendation 5 and stated that UNEP was developing detailed budget and allotment procedures and that all allotments would be cleared with the Corporate Services Section prior to entering into the IMIS system. UNEP expects to implement recommendation 5 by 30 November 2011. Recommendation 5 remains open pending receipt of a copy of the budgeting and allotment procedures once developed.

27. UNEP accepted recommendation 6 and stated that a panel of qualified UN staff would be established by the Executive Director to review the allotments issued and provide findings and recommendations on possible negligence by any of the actors involved. The Executive Director would advise the COP and OIOS of the outcome of the review and further corrective action to be taken by 30 March 2012. Recommendation 6 remains open pending receipt of the Executive Director's advice on outcome of the review by the panel and further action to be taken.

Responsibilities of UNEP and UNON for monitoring borrowings between UNEP-administered funds need to be clarified

28. Once expenditure was certified by the Administrative and Fund Management Officer, on the basis of certified allotments, the Budget and Financial Management Service (BFMS) of the United Nations Offices at Nairobi (UNON) paid for the expenditure using UNEP pool bank accounts. The bank accounts are used by different funds administered by UNEP. Therefore, it was possible for UNON to pay UNEP/MAP's expenditure using the cash resources that belonged to other funds. As at 31 December 2009, UNEP/MAP had borrowed in excess of \$ 5.9 million for the MEL and CAL. As shown in Chart 1 below, UNEP/MAP had been financing its activities using inter-fund borrowings from 2002-2009.

Chart 1: Trends in UNEP/MAP inter-fund borrowings from 2002 to 2009 in USD



29. During the period 2002-2009, UNEP/MAP also had investments in cash pools for MEL and QML. Therefore, UNEP/MAP's net borrowing position was \$3.7 million as at 31 December 2009 as shown in Table 6 below.

Table 6: UNEP/MAP net borrowing positions from 2002 to 2009 in USD

	MEL	CAL	QML	Total
(a) Inter-fund borrowing				
2002-2003	-398,873	216,305	-11,182	-193,750
2004-2005	-6,068,093	-149,980	-2,611,674	-8,829,747
2006-2007	-2,385,288	42,154	-560,873	-2,904,007
2008-2009	-5,392,329	-577,329	-27,151	-5,996,809
(b) Investment cash pool				
2002-2003	3,668,759	0	208,584	3,877,343
2004-2005	1,607,740	0	1,214,175	2,821,915
2006-2007	0	0	951,346	951,346
2008-2009	0	0	2,313,732	2,313,732
(c) Net borrowing (inter-fund borrowing adjusted for cash pool investments)				
2002-2003	3,269,886	216,305	197,402	3,683,593
2004-2005	-4,460,353	-149,980	-1,397,499	-6,007,832
2006-2007	-2,385,288	42,154	390,473	-1,952,661
2008-2009	-5,392,329	-577,329	2,286,581	-3,683,077

30. BFMS explained that UNON was responsible for monitoring inter-fund borrowings between UNON, UNEP and the United Nations Human Settlements Programme (UN-HABITAT) and each organization was responsible for monitoring borrowing between each fund they administered. Therefore, as long as UNEP/MAP presented a request for payments that was duly certified, they would proceed with payment from a UNEP main bank account and would not base the decision on UNEP/MAP's financial position. Contrary to the UNON's position, UNEP was of the understanding that UNON was also monitoring individual fund borrowing positions within UNEP. Therefore, effectively there was inadequate monitoring of inter-fund borrowings as neither UNON nor UNEP performed the monitoring roles.

31. The roles and responsibilities of UNEP and UNON regarding financial management of MAP were not clear. According to Section 2 of the Secretary-General's Bulletin on the organization of UNON (ST/SGB/2009/3) dated 1 March 2009, the functions of UNON include "provides administrative and other support services to the United Nations Environment Programme (UNEP)". However, the service level agreement on budget and financial management service between UNON, UNEP and UN-HABITAT dated 15 June 2004, does not specify UNON's roles in monitoring inter-fund borrowing positions, and taking corrective action where necessary for UNEP Offices Away from Headquarters (OAH) such as UNEP/MAP in this case. The lack of clarity in the roles and responsibilities of UNEP and UNON resulted in lack of accountability and UNEP/MAPs excessive borrowing position is an example of the effect.

Recommendation 7

(7) The Executive Director of UNEP should clearly define and agree with the Director-General of UNON what services, and related responsibility, UNON should be providing to UNEP Offices Away from Headquarters (OAH), such as UNEP/MAP in this case, in order to enhance accountability.

32. *UNEP accepted recommendation 7 and stated that UNEP would engage in high-level consultations with UNON and the Department of Management to delineate the exact definitions of delegation of authority and responsibility between UNEP and UNON on financial and all other administrative matters, including Human Resources by 30 March 2012. Recommendation 7 remains open pending receipt of the outcome of consultations between UNEP, the Department of Management, and UNON on the exact definitions of delegation of authority and responsibility between UNEP and UNON on financial and all other administrative matters.*

Overall expenditure within limits of approved allotments

33. Overall, UNEP/MAP incurred expenditure as approved by the Contracting Parties and in line with the allotments that were created. During the period 2004-2009, expenditure for the MEL, CAL and QML was generally within authorized allotments – refer to Table 7 below and Annex III for details. Allotments and expenditures have been translated into USD at prevailing rates and therefore take into account foreign exchange movements between the USD and the Euro. The impact of exchange rates on UNEP/MAP operations is discussed in paragraphs 41 to 43 below.

Table 7: Allotments and expenditure for MEL, QML and CAL for the period 2004-2009 in USD

Biennium	Allotment	Expenditure	Unencumbered balance
2004-2005	19,614,932	17,319,778	2,295,154
2006-2007	19,946,149	17,522,425	2,423,724
2008-2009	22,335,367	22,077,031	258,336
Total	61,896,448	56,919,234	4,977,214

Source: IMIS expenditure reports

Controls on management of cash advances to Regional Activity Centres need improvement

34. UNEP/MAP implements around 50 per cent of its programme of work through six Regional Activity Centres (RACs). Memoranda of understanding and project documents specified legal obligations of RACs and UNEP. RACs operate through a mechanism of quarterly advances. Every quarter, each RAC is expected to submit an expenditure report to the Coordinating Unit to justify use of funds previously advanced as well as to request for disbursement of a new advance for the ensuing quarter. UNEP/MAP verifies and sends the requests to UNEP HQ who updates records on outstanding advances and disburses the requested funds to RACs.

35. UNEP had outstanding advances to RACs and UNEP/MAP amounting to the equivalent of about \$3.4 million and \$2.6 million as at 31 December 2009 and 31 December 2010, respectively (refer to Table 8 below). About 45 per cent of the advances had been outstanding for over 24 months as at 31 December 2009. UNEP/MAP followed up on the advances and succeeded in making a substantial reduction of the advances outstanding for more than 24 months to 32 per cent as at 31 December 2010.

Table 8: Aging analysis of outstanding advances to Regional Activity Centres and UNEP/MAP

Date	Fund	Balance at 0 - 6 months	Balance at 7 - 12 months	Balance at 13 - 24 months	Balance at >24 months	Total
31.12.09	MEL	418,199	27,707	711,581	1,382,562	2,540,049
31.12.09	QML	6,195	623,660	75,242	122,484	827,581
31.12.09	Total	424,394	651,367	786,823	1,505,046	3,367,630
31.12.10	MEL	663,474	173,373	64,791	668,035	1,569,673
31.12.10	QML	392,539	450,018	-2,319	164,191	1,004,429
31.12.10	Total	1,056,013	623,391	62,472	832,226	2,574,102

Source- Aging analysis IMIS reports

36. OIOS sought direct confirmation from RACs for the accuracy of the outstanding advances in the accounting system at UNEP. RACs responses indicated that there were discrepancies in outstanding

balances between their records and those of UNEP. The discrepancies amounted to the equivalent of \$1 million. Refer to Table 9 below for details.

Table 9: Differences in outstanding advances between Regional Activity Centres and UNEP records

No	ID	Regional Activity Centre	Outstanding amount in Euro according to RAC	Outstanding amount according to RAC translated to USD as at 31 December 2010	Outstanding amount in USD as per IMIS reports as at 31 December 2010	Difference
1.	K997	Regional Activity Centre for Specially Protected Areas (SPA/RAC)	270,314	355,209	594,546	-239,337
2.	0558	Regional Marine Pollution Emergency Response Centre for the Mediterranean Sea (REMPEC)	0	0	771,359	-771,359
3.	K112	Centre D'Activites Regionales du Plan Bleu (BP/RAC)	158,364	208,099	385,324	-177,225
4.	K987	Priority Actions Programme Regional Activity Centre (PAP)	444,983	584,735	386,309	198,426
		Total	873,662	1,148,045	2,137,538	-989,493

37. OIOS concluded that the controls over disbursement and liquidation of advances were not consistently applied, which resulted in the accumulation of outstanding advances that RACs were not able to confirm. Therefore, there is a need for UNEP to assess the validity of outstanding advances. Furthermore, there is need to strengthen controls by ensuring that no new advances are disbursed before the previous ones have been accounted for. UNEP/MAP explained that until December 2009, UNEP HQ was responsible for monitoring outstanding receivables, and that UNEP/DEPI monitored the receivables between 2006 to 2009, while UNON BFMS Trust Fund/Accounts Unit was responsible for such monitoring for the period prior to 2006. UNEP/MAP further stated that they were granted access to IMIS data in June 2006 without the responsibility to monitor the receivables.

38. At the end of 2009, UNEP recognized outstanding advances amounting to \$6,268,923 as expenditure. Previously, the advances were treated as expenditure only after receipt and review of expenditure reports submitted by RACs. The Head of UNEP/CSS explained that the change in treatment was a correction of an anomaly where UNEP had assumed contractual obligations without recognizing them in line with financial rules 105.7 and 105.8 and regulations 5.3, 5.4 and 5.5. However, there was no assurance that the advances were fully used and justified by RACs, and that any unused amounts were returned to UNEP.

Recommendations 8 and 9

(8) The Executive Director of UNEP should review the existing mechanism for monitoring and management of advances to ensure that no new advances are made until the previous ones have been fully justified and recorded in the accounting system.

(9) The Executive Director of UNEP should ensure that UNEP undertakes a full review of its actual outstanding advances for each Regional Activity Centre and take corrective actions on inaccuracies.

39. *UNEP accepted recommendation 8 and stated that UNEP issued instructions on 26 July 2011 to the RAC's that no new cash advances would be paid until the previous ones have been reported and approved. In addition, the obligation of cash advances and recording of expenditures in IMIS has been decentralized to UNEP/MAP in order to speed up the process of obligating and recording of expenditures, whilst at the same time assuring a higher level of accuracy by having a single entry point of recording data. Based on the action taken by UNEP, recommendation 8 is closed.*

40. *UNEP accepted recommendation 9 and stated UNEP had already made substantial progress in the reduction of outstanding advances. UNEP, in cooperation with RAC's and UNON would undertake a further detailed review of outstanding advances and take corrective actions with regards to inaccuracies relating to currencies, programme support costs and exchange rate differences by 29 February 2012. Recommendation 9 remains open pending receipt of confirmation that UNEP has completed the detailed review of outstanding advances and taken corrective actions accordingly.*

Recording and reporting Euro transactions pose challenges to UNEP/MAP

41. In October 2002, the Bureau of representatives of Contracting Parties adopted the Euro as the currency to be used within MAP. Consequently, the Bureau decided that the budget, notifications of contributions and the majority of MAP's financial operations were to be conducted in Euro and a Euro bank account was to be opened to facilitate transactions. In a memorandum dated 22 August 2002, the Assistant Secretary General, Controller advised UNON to proceed with meeting the Bureau's decisions "without compromising the Financial Regulations that the United States Dollar (USD) must be the currency in which the United Nations books are to be maintained". The Controller also advised that MAP budgets be presented in both the Euro and USD. Consequently, starting in the budgeting period 2004-2005, UNEP/MAP contributions were assessed and received in Euros. Overall, there was no significant net impact on the financial position of UNEP/MAP because of using the Euro in the period 2004-2009. However, fluctuations on yearly basis were material. According to transactions recorded in the trial balance account code 1850, there was unrealized foreign currency gains of about \$450,000 for MEL, CAL and QML during the period 2004-2009 as shown in Table 10 below. The maximum fluctuation was a gain of \$2 million that occurred during the biennium 2006-2007.

Table 10: UNEP/MAP Foreign currency gains and losses during the period 2004-2009 in USD

Period	MEL	CAL	QML	Total
2004-2005	659,823	-9,994	12,508	662,337
2006-2007	-1,607,796	-15,806	-373,470	-1,997,072
2008-2009	975,289	5,441	-100,418	880,312
Total	27,316	-20,359	-461,380	-454,423

Data source: trial balances from IMIS

42. The IMIS tool used to input allotments in Euros and to extract allotment and expenditures reports in Euros was inadequate, which resulted in inaccurate and unreliable management information used for decision making and reporting. At the time of the audit, reports that were being generated by this tool were inaccurate and therefore misleading – refer to Table 11 below for examples. UNEP/MAP staff members indicated that IMIS does not have capability to accurately and reliably record and report transactions in Euro.

Table 11: Examples of inaccuracies in IMIS Euro reports

CAL		Allotment	Pre-encumbrance	Unliquidated obligations	Disbursement	Total expenditure	Un-encumbered balance
2008	EUR	433,640	0	10,097	693,384	703,481	-269,841
Project - 2905	USD	762,628	994	10,097	693,834	703,931	58,697
2009	EUR	430,799	0	16,934	607,369	624,303	-193,504
Project - 2533	USD	579,029	0	16,934	607,375	624,309	-45,280

Source: Allotment and expenditure reports IMIS

43. *UNEP stated that, as indicated in the report, the decision to use the Euro as currency was taken by the Bureau of the Barcelona Convention and UNON was requested by the UN Controller to facilitate this decision “without compromising the Financial Regulations that the US dollar must be the currency in which the United Nations accounts are maintained”. As per Financial Regulations 2.2 and 6.3, the UN secretariat accounting system is based on a single currency (US\$), and is not geared towards multi-currency accounting. It is the understanding of UNEP that UNON, within the limits outlined above, is already using standard UN-Secretariat accounting practices to report on expenditures in Euros, based on its US\$ accounts. Nevertheless, UNEP will request UNON to review its accounting practices for recording and reporting in Euros, and in particular the IMIS Euro reporting tool that was developed by UNON for MAP. OIOS suggests that UNEP also formally advise the Contracting Parties of the limitations of its information management tools in recording and generating reports of MAP transactions in Euro, which was adopted by the Parties as the currency to be used in MAP.*

AUDIT RESULTS

ANNEX I STATUS OF RECOMMENDATIONS Audit of financial performance of UNEP/MAP

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
1	The Executive Director of UNEP should ensure that MAP budget proposals are corrected to reflect income projections accurately.	Financial	Important (Medium)	C	Recommendation implemented	Not applicable
2	The Executive Director of UNEP should involve UNEP Headquarters in reviewing and clearing draft budget proposals for UNEP/MAP prior to their submission to the Contracting Parties for approval.	Operational	Important (Medium)	C	Recommendation implemented	Not applicable
3	The Executive Director of UNEP should determine accountability of UNEP/MAP Administrative and Fund Management Officers for the preparation of the inappropriate budget proposals and the UNEP/MAP Coordinators for inability to detect the inappropriateness of budget proposals that were presented to Contracting Parties for the budget period 1994 to 2011.	Operational	Important (Medium)	O	Receipt of the Executive Director's advice on outcome of the review by the panel of UN staff and further corrective action to be taken for preparation and non-detection of inappropriate budget proposals that were presented to Contracting Parties.	30 March 2012
4	The Executive Director of UNEP should request the Contracting Parties to reimburse funds spent on project activities approved by the Parties but not funded because of over-estimation of income in the budget proposals.	Financial	Important (Medium)	O	Receipt of a decision by the Extraordinary Meeting of the Bureau on the deficit recovery.	31 January 2012
5	The Executive Director of UNEP should establish adequate controls for the creation of allotments to ensure commitments do not exceed available resources.	Financial	Important (Medium)	O	Receipt of a copy of the budgeting and allotment procedures.	30 November 2011
6	The Executive Director of UNEP should determine accountability of UNEP staff for the creation of inappropriate allotments to fund MAP activities and for inability to	Operational	Important (Medium)	O	Receipt of the Executive Director's advice on outcome of the review a panel of UN Staff and further action to be taken for creation of inappropriate allotments to fund	30 March 2012

AUDIT RESULTS

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
	detect the inappropriateness of allotments.				MAP activities and for their inability to detect the inappropriateness of allotments by those responsible for oversight.	
7	The Executive Director of UNEP should clearly define and agree with the Director-General of UNON what services, and related responsibility, UNON should be providing to UNEP Offices Away from Headquarters (OAH), such as UNEP/MAP in this case, in order to enhance accountability.	Operational	Critical (High)	O	Receipt of the outcome of consultations between UNEP, the Department of Management, and UNON on the exact definitions of delegation of authority and responsibility between UNEP and UNON on financial and all other administrative matters	30 March 2012
8	The Executive Director of UNEP should review the existing mechanism for monitoring and management of advances to ensure that no new advances are made until the previous ones have been fully justified and recorded in the accounting system.	Financial	Important (Medium)	C	Recommendation implemented	Not applicable
9	The Executive Director of UNEP should ensure that UNEP undertakes a full review of its actual outstanding advances for each Regional Activity Centre and take corrective actions on inaccuracies.	Financial	Important (Medium)	O	Receipt of confirmation that UNEP has completed the detailed review of outstanding advances to Regional Activity Centres and taken corrective actions accordingly.	29 February 2012

ANNEX II

**TERMS OF REFERENCE FOR A FINANCIAL MANAGEMENT AUDIT OF
UNEP ADMINISTRATED FUNDS FOR THE BARCELONA CONVENTION
ATHENS - GREECE**

The Bureau of the Contracting Parties to the Barcelona Convention has requested in its 71st meeting which took place in Zagreb Croatia, from November 8 to 9, 2010, that UNEP requests the OIOS to carry out, as a matter of urgency, a Financial Management Audit of the UNEP administrated funds for the purposes of the Barcelona Convention, namely MTF, QML and CAL. The audit should take in consideration the implementations of the recommendations from previous audits, specifically the OIOS report dated 2008.

1. The OIOS should review the budgetary processes and components presented to the approval of the (but not limited to) 12th, 13th, 14th, 15th and 16th COP of the Barcelona Convention.
2. The OIOS should review the reality of the revenues constitutive of the budgets presented to the approval of the (but not limited to) 12th, 13th, 14th, 15th and 16th COP of the Barcelona Convention.
3. The OIOS should review the costing of the budgets components presented to the approval of the (but not limited to) 12th, 13th, 14th, 15th and 16th COP of the Barcelona Convention.
4. The OIOS should review the methodology of allotment of the COP approved budget into the IMIS system (system supporting the UNEP financial information).
5. The OIOS should review the reasons (if applicable) by which the revenue of a biennium was not tallying with the approved COP budget.
6. The OIOS should review the reasons (if applicable) by which the expenditure of a biennium has exceeded the approved COP budget.
7. The OIOS should evaluate the reasons and the amount (if applicable) of expenditure which may have been misposted to a wrong source of funding.
8. The OIOS should review and analyze the compatibility with the existing UNEP information system and the UN rules and regulations of a budgetary process and reporting based in EURO and formulate recommendations.
9. The OIOS should review and analyze the impact on the utilization of a budget fixed EURO/USD exchange rate for conversion of EURO expenditure corresponding to the biennium and issue recommendations.
10. The OIOS should review the system of checks and balances, reporting and responsibilities between the Regional Centres, The Secretariat to the Barcelona Convention, UNEP and UNON. Their performance and the impact on budgetary situation should be evaluated and recommendations made to ensure an appropriate attribution of responsibilities.
11. The OIOS should make recommendations to be applied to the budgetary process also considering the prevailing financial situation of the Trust Funds for the Barcelona Convention.

AUDIT RESULTS

ANNEX III

Allotments and expenditure for MEL, QML and CAL for the period 2004-2009 in USD

Fund/Year	Allotment	Expenditure	Unencumbered Balance
MEL			
2004-2005	15,901,341	14,250,582	1,650,759
2006-2007	14,439,951	14,617,275	-177,324
2008-2009	17,030,102	17,744,706	-714,604
QML			
2004-2005	2,528,277	1,917,024	611,253
2006-2007	4,260,069	2,220,884	2,039,185
2008-2009	4,580,498	3,004,084	1,576,414
CAL			
2004-2005	1,185,314	1,152,172	33,142
2006-2007	1,246,128	684,267	561,861
2008-2009	724,767	1,328,240	-603,473
Total for MEL,QML and CAL			
2004-2005	19,614,932	17,319,778	2,295,154
2006-2007	19,946,149	17,522,425	2,423,724
2008-2009	22,335,367	22,077,031	258,336

Source: IMIS expenditure report