INTERNAL AUDIT DIVISION

AUDIT REPORT

Financial performance of the United Nations Environment Programme Mediterranean Action Plan (MAP)

A funding strategy needs to be developed to ensure that the MAP delivers on its programme of work

27 May 2009
Assignment No. AA2008/220/01

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: 27 May 2009

REFERENCE: IAD: 09- 02504

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

SUBJECT: **Assignment No. AA2008/220/01 - Audit of the financial performance of the United Nations**
OBJET: **Environment Programme (UNEP) Mediterranean Action Plan (MAP)**

1. I am pleased to present the report on the above-mentioned audit.

2. Based on your comments, we are pleased to inform you that we will close recommendations 3, 5 and 6 in the OIOS recommendations database as indicated in Annex 1. In order for us to close the remaining recommendations, we request that you provide us with the additional information as discussed in the text of the report and also summarized in Annex 1.

3. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as high risk (i.e., recommendations 1, 2, 3, 7, 9, 16, 17 and 18), in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. Ibrahim Thiaw, Director, Division of Environmental Policy Implementation, UNEP
Mr. Paul Mifsud, The Coordinator, MAP, UNEP
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
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INTERNAL AUDIT DIVISION

FUNCTION

"The Office shall, in accordance with the relevant provisions of the Financial Regulations and Rules of the United Nations examine, review and appraise the use of financial resources of the United Nations in order to guarantee the implementation of programmes and legislative mandates, ascertain compliance of programme managers with the financial and administrative regulations and rules, as well as with the approved recommendations of external oversight bodies, undertake management audits, reviews and surveys to improve the structure of the Organization and its responsiveness to the requirements of programmes and legislative mandates, and monitor the effectiveness of the systems of internal control of the Organization" (General Assembly Resolution 48/218 B).

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EXECUTIVE SUMMARY

Audit of the financial performance of the United Nations Environment Programme (UNEP) Mediterranean Action Plan (MAP)

OIOS conducted an audit of the financial performance of the United Nations Environment Programme (UNEP) Mediterranean Action Plan (MAP). The overall objective of the audit was to assess the financial performance of MAP . The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

The MAP secretariat failed to keep under review the impact of the budget freeze in 2004. As at 31 August 2008, 80 per cent of the contributions were in arrears, and the operating reserve of the Mediterranean Trust Fund had a deficit of $811,203 as at 30 September 2008. These conditions were exacerbated by the lack of a fund raising strategy to address shortfalls. In order to minimize the risk of delaying the execution of the Programme of Work, there is a need to re-examine the adequacy of the current arrangements for monitoring the receipt of major contributions from the Contracting Parties.

There was limited interaction between the MAP components in the preparation of the final version of the Programme of Work, as well as inadequate arrangements for its monitoring and evaluation. UNEP stated that new mechanisms recently put in place will address these issues.

The institutional linkage between the MAP's Regional Activity Centres (RACs) and UNEP needed to be reviewed and strengthened, particularly to mitigate two key risks: (a) reputational risk arising from the misuse of UNEP's name and logo; and (b) financial risk arising from liabilities being incurred in UNEP's name.

The audit also showed a number of irregularities in official travel and hospitality expenditures. UNEP Headquarters needs to put in place effective control mechanisms to ensure that the MAP secretariat complies with the relevant Administrative Instructions governing these expenditures.

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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 (UNEP) Mediterranean Action Plan (MAP). The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. The Athens-based MAP Coordinating Unit is the secretariat of MAP. The secretariat is responsible for the follow-up and implementation of MAP activities. Under the framework of the Barcelona Convention of 1976, Mediterranean countries and the European Union have been working together: first, since 1975, to protect the marine environment; and second, since 1995, to promote regional sustainable development, biodiversity conservation and the integrated management of the coastal areas.

3. MAP is based on periodically revised action plans adopted by high-level intergovernmental meetings and implemented, in most cases, in the framework of legally binding regional seas conventions and protocols, under the authority of the respective contracting parties or intergovernmental meetings. MAP's work focuses on the sustainable management of natural marine and coastal resources, on the integration of social and economic development and land use policies. It includes 22 contracting parties in the region including the European Union.

4. The Mediterranean Trust Fund (MTF) constitutes the core fund of MAP and is derived from the assessed contributions of Member States based on a direct extrapolation of the United Nations' scale of assessment. Expenditures incurred during the 2004-2005 biennium amounted to $16.83 million as compared to the total allocated funding of $17.09 million (excluding programme support costs). The approved budget for the 2006-2007 biennium amounted to approximately $17.75 million while the proposed budget for the 2008–2009 biennium totaled approximately $21 million. The MAP secretariat had eight Professional (P) and seventeen General Service (GS) posts. Additional support was provided by staff of the six Regional Activity Centres (RACs), who are not UNEP staff. RACs are responsible for supporting the implementation of MAP's work programme by the Contracting Parties.

5. Comments made by UNEP are shown in *italics*.

II. AUDIT OBJECTIVES

6. The main objective of the audit was to assess the financial performance of MAP, including:

(a) The adequacy of arrangements for determining the level of funding to RACs;

(b) The adequacy of arrangements for determining the level of funding to the MTF;

(c) The adequacy of mechanisms for planning and controlling fund allocation to MAP components;

(d) The adequacy of Programme of Work (POW) governance, planning and monitoring mechanisms; and

(e) Whether the expenditures incurred were in compliance with United Nations Regulations and Rules, and UNEP procedures.

III. AUDIT SCOPE AND METHODOLOGY

7. The audit covered MAP activities for the period January 2006 to September 2008 and included a review and risk assessment of internal control systems, interviews with staff, reviews of the available documents and other relevant records. OIOS carried out site visits to the main office located in Greece and the following six RACs:

- The Blue Plan located in France (BP/RAC);
- Cleaner Production located in Spain (CP/RAC);
- INFO RAC located in Italy (INFO/RAC);
- Priority Actions Programme located in Croatia (PAP/RAC);
- Specially Protected Areas located in Tunisia (SPA/RAC); and
- The Regional Marine Pollution Emergency Response Centre located in Malta (REMPEC).

8. This audit also followed up on the implementation of recommendations raised in the previous OIOS Audit of MAP secretariat (AA2005/220/01).

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Funding arrangements

Arrangements for determining the level of funding to MAP components

9. Table 1 shows the budget allocations to various MAP components for substantive activities during the period 2006 to 2008. Table 2 shows the budget allocations to RACs during the same period, for both substantive and administrative activities. Since there was no methodology or guidelines in place to explain the basis for the funding allocation to the individual RACs, it was not possible to establish whether the allocations were adequate and defensible. There was therefore a risk that funds may not be allocated where they were mostly needed, and that a RAC's activity may not be effectively contributing to delivery of the POW.

Table 1: Allocations of MTF approved Budget for 2006-2008 to MAP components ($)

UNEP/MAP Component	2006 Budget	% of 2006 MTF Budget	2007 Budget	% of 2007 MTF Budget	2008 Budget	% of 2008 MTF Budget
Coordinating Unit	883,819	25	818,408	25	1,173,013	31
MEDPOL (Mediterranean Pollution)	1,038,866	30	945,452	29	1,000,000	27
RACs	1,544,202	45	1,514,907	46	1,555,421	42
Totals	**3,466,887**	**100**	**3,278,767**	**100**	**3,728,434**	**100**

Table 2: Allocations of MTF approved Budget for 2006-2007 to RACs ($)

Name of component	Activities funded	Allocations Budget amount	%
Coordinating Unit	Coordination	2,931,652	22
MEDPOL (Mediterranean Pollution)	Pollution prevention	3,424,360	26
REMPEC – Malta	Pollution prevention	2,251,417	17
BP/RAC - France	Integrating environment and Coastal zones	1,699,322	13
PAP/RAC - Croatia	Coastal zones and integrating environment	1,516,567	11
SPA/RAC - Tunisia	Biological diversity	1,414,301	10
INFO/RAC - Italy	Integrating environment	158,400	1
CP/RAC - Spain	Cleaner production	0	0
Totals		**13,395,619**	**100**

10. *The UNEP Administration stated that UNEP gets its guidance from the Contracting Parties for the preparation of the Programme of Work (POW) covering all the components and corresponding funding levels. The preparation of the POW and the accompanying budget is a consultative process that gives the various organs of MAP the opportunity to discuss the priorities of the POW activities and funding levels before forwarding the same to the Contracting Parties for approval at their next meeting. Hence the prioritization of elements of the POW is not the role of UNEP.*

Absence of mechanisms to ensure adequate funding from the MTF

11. Until 2004, the basis for assessed contributions to the MTF was on a direct extrapolation from the United Nations scale of assessment. The Contracting Parties froze increases to the MTF assessed contribution in 2004 when MAP changed its currency from the US dollar to the Euro. This resulted in contributions remaining constant at approximately $6.7 million (5.6 million Euros) per year. This freezing was not accompanied by the establishment of a

mechanism for keeping under review shortfalls or surpluses and their impact on the POW. In addition, there was no consideration of a fund raising strategy to address shortfalls. It was the responsibility of the MAP secretariat to take appropriate steps to keep under review the impact of the freeze in its ability to deliver its POW and to ensure that there was a fund raising strategy in place for handling shortfalls. The MAP secretariat was not in a position to advise the Contracting Parties on the adequacy of funding arrangements for the POW from the MTF.

Recommendations 1 and 2

The UNEP Mediterranean Action Plan Secretariat, with the assistance of UNEP Headquarters, should:

(1) Submit a paper to the Bureau outlining the impact of the 2004 budget freeze on delivery of the Programme of Work; and

(2) Make a proposal to the Contracting Parties on the level of contributions required from the Mediterranean Trust Fund to deliver the Programme of Work. The proposal should include the possible mechanisms for achieving the desired level of contributions, and the development of a fund raising strategy to meet shortfalls.

12. *The UNEP Administration accepted recommendation 1 and stated that UNEP must assume that the Contracting Parties properly contemplated the impact of the budget freeze on the delivery of the POW when the decision was made by the Contracting Parties. Since the Bureau plays a critical role in this, UNEP will provide them with such a paper.* Recommendation 1 remains open pending receipt of a paper submitted to the Bureau outlining the impact of the 2004 budget freeze on delivery of the Programme of Work.

13. *The UNEP Administration accepted recommendation 2 and stated that it will prepare a costing as an input into the deliberations of the Contracting Parties, who are the final arbitrators on how to deal with any shortfall between the approved POW and budget.* Recommendation 2 remains open pending receipt of documentation showing the proposal on the level of contribution required by the MTF to deliver its POW.

Assessed contributions in arrears

14. Of the MTF core funding of $6.7 million to be paid yearly by Contracting Parties, approximately $5.7 million was in arrears as at 31 August 2008, which raised serious concerns as to the viability of MAP as a going concern.

Recommendation 3

(3) UNEP Headquarters should urgently address the uncollected amount of $5.7 million as of August 2008.

15. *The UNEP Administration did not accept recommendation 3 but stated that while at the time of the audit the uncollected amount was $5.7 million due to non-payment of annual contributions by some Contracting Parties, this has since been paid and the crisis averted.* Based on the prompt action taken by UNEP, recommendation 3 has been closed.

The deficit in the operating reserve impacted the ability to meet shortfalls

16. As defined in ST/SGB/188, the trust fund operating reserve is a sum set aside within the cash resources of the trust fund to cover any delays in payments of pledged contributions and to be used to meet final expenditures of activities, including liquidating liabilities. The MAP secretariat had established such a reserve and was using it in compliance with ST/SGB/188, but was not monitoring whether the reserve was sufficient for its needs.

17. The reserve was used to the extent that there was a deficit balance of $76,000 as at December 2006. As at December 2007, the reserve went to a balance of $4,629 and it had a deficit of $811,203 as at September 2008. The level of reserve at the time of the audit was $1.2 million but how its adequacy was established was not clear. The available documentation, dating back to 1997, indicated that the Contracting Parties had authorized an amount of $750,000. Failure on the part of the MAP secretariat to review and keep the Contracting Parties advised of the size of reserve needed to meet shortfalls has endangered the ability to implement the POW.

Recommendation 4

(4) The UNEP Mediterranean Action Plan secretariat should urgently prepare a paper for consideration by the Contracting Parties, outlining the level of operating reserve required and the mechanism it will use to keep the Contracting Parties informed of the adequacy of the reserve level.

18. *The UNEP Administration accepted recommendation 4 and stated that at the time of the audit, the related amount was $1.2 million. For the 2008-2009 biennium, a proposal went to the MAP Contracting Parties meeting for a reserve level of a third of the assessed pledges and the proposed paper will be prepared by November 2009.* Recommendation 4 remains open pending receipt of the proposed paper outlining the level of operating reserve required and the mechanism to keep the Contracting Parties informed on the adequacy of this level.

The value of the Greek counterpart contribution needs to be confirmed

19. Under a host country agreement dated 1984 between the Greek Government and MAP, the government agreed to make a counterpart contribution amounting to $400,000 each year to meet costs of renting office space and maintenance. When MAP switched to using the Euro in 2004, the Greek contribution was recorded as approximately $531,000 (440,000 Euros) in the financial accounts. There was no documentation available to support the use of the figure and Greece has not paid this amount. Consequently, as at December 2007, the accounts of MAP indicate that the Greek Government has arrears of around $584,500 (487,100 Euros). The rationale for showing this figure in the books of account is unclear in the absence of any documentation confirming the agreement of the Greek Government to pay the amount.

20. *The UNEP Administration stated that the Greek authorities have already been approached on this issue. They maintain that the decision to change from the US dollar to the Euro did not apply to its counterpart contribution as the host country but to the assessed contribution to the MTF. Greece argues that the Contracting Parties cannot determine what the level of its counterpart contribution should be. However they intend to increase the Counterpart Contribution up to Euro 600,000 accordingly.* In view of UNEP's response, no further action is proposed on this matter.

B. Programme of Work

Arrangements for preparation of the POW need to be strengthened

21. There was limited interaction between MAP components in the production of the final version of the POW. Currently their role is limited to the provision of input at the start of the planning process and subsequent informal consultations. Consequently, there is a risk that the finally approved POW may not have buy in and may not be in alignment with key areas as identified by the MAP components.

Recommendation 5

(5) The UNEP Mediterranean Action Plan (MAP) secretariat should review and revise its existing planning mechanism to include greater involvement of the MAP components in the planning process.

22. *The UNEP Administration accepted recommendation 5 and stated that interaction between MAP components has increased following the setting up of the Executive Coordination Panel (ECP) in January 2008, which brings together the Secretariat and the Directors of MAP components every three months.* Based on the action taken, recommendation 5 has been closed.

Inadequate arrangements for monitoring and evaluation of the POW

23. The MAP secretariat mechanism to monitor and evaluate overall POW activities is inadequate because:

- Objectives lack adequate quantitative indicators to use as guidance or as a basis for assessing performance, other than the percentage of funds spent. Incorporation of quantitative indicators would serve the requirements for Results Based Budgeting (RBB) and their adoption was also recently recommended by the Contracting Parties; and

- Most of the shifts of resources and changes in the POW were submitted *ex post facto* to the Contracting Parties.

24. This may result in the inability to define the optimal output, to assess the actual output, suboptimal allocation of resources, and subsequent use of funds for non-core and/or non approved activities.

Recommendation 6

(6) The UNEP Mediterranean Action Plan (MAP) secretariat should devise a mechanism for periodic review to ensure that its Programme of Work activities are effectively monitored, coordinated and prioritized by the different MAP components and major changes and shifts are adequately justified and properly authorized before being effected.

25. *The UNEP Administration accepted recommendation 6 and stated that the mechanism already exists. Every six months, the MAP Secretariat submits a POW progress report to the Bureau of the Contracting Parties outlining the status of implementation of the POW under each heading. The progress report also includes a financial statement. Any shift of resources and changes to the POW are done with the prior approval of the Bureau and are reviewed post facto by the Contracting Parties. Moreover, MAP submits the status of the implementation of the programme to the MAP Focal Points.* Based on UNEP's response, recommendation 6 has been closed.

RACs have adequate administrative arrangements in place to discharge their responsibilities

26. OIOS visited the six RACs and reviewed administrative arrangements to support the implementation of their POW activities. In contrast to the situation encountered for overall MAP activities, OIOS generally found that each RAC had put in place adequate systems to administer its funds, and monitor and report internally on their usage. No major problems or irregularities were observed with respect to their internal control systems. Specifically, OIOS found qualified and competent personnel able to deal with queries and requests for documentation, supported by a complete and efficient filing system and effective information systems.

Adequate arrangements being put in place to ensure Memoranda of Understanding (MOUs) comply with UNEP and United Nations Regulations and Rules

27. OIOS reviewed a sample of MOUs between the MAP secretariat and its service providers, and found that there were adequate mechanisms in place to track validity and payment status of MOUs to ensure that these were amended or extended before the actual expiry date, as recommended in the previous OIOS audit (AA2005/220/02/06). However, in some cases, work plan, timetable and related budget information were not detailed in the body of the MOU or as an attachment. In one case, the format used was not in line with United Nations or UNEP rules. All the required clauses were missing, while the paragraph on measures against sexual exploitation and abuse was not included in any of the cases reviewed. OIOS noted that UNEP had recently reviewed and was in the process of introducing new procedures on legal instruments. As MAP staff were going to receive training in 2009, no recommendation is being made.

C. Resource management

Institutional linkage between RACs and UNEP needs to be reviewed and strengthened

28. While some of the work undertaken by the RAC is covered by MOUs, OIOS expected but did not find documentation legally defining the relationship between MAP and the RACs, covering respective roles and responsibilities for such things as arrangements for funding, work programming, use of the UNEP logo, arrangements for human resources and office administration. This is important because the RACs were not UNEP offices. For example:

- The RAC in Tunisia was an office of a national agency which reported to the Ministry of Environment;
- The RAC in France was operated by a Non Governmental Organization using some staff on loan from the French Government; and
- The RACs in Italy, Spain and Croatia were government agencies.

29. The absence of such agreements exposes UNEP to two key risks - reputational risk through misuse of its name, and financial risk through liabilities being incurred in UNEP's name.

30. OIOS also noted that the RACs were often using the UNEP/MAP logo on meeting reports and documents regardless of whether they were involving the use of UNEP funds. Of most concern was the use of the UNEP logo on letterhead involving the recruitment of RAC staff. In the case of INFO/RAC, a legal case has been instituted for non-payment of salaries and other related benefits amounting to approximately $243,000 to four former staff members whose employment contracts were issued on letter heads with UNEP logos. The staff members have complained to MAP, and it is unclear what action is being taken to ascertain what UNEP's legal liability is in such a case.

Recommendations 7 and 8

UNEP Headquarters should:

(7) Ensure that there are legal agreements in place between Regional Activity Centres (RACs) and UNEP that define the respective roles and responsibilities for administrative and substantive activities. These agreements should also contain guidance on issues such as use of the UNEP logo and the rules and regulations under which the RACs will operate; and

(8) Urgently look into the matter of four staff members employed using a contract with a UNEP letterhead, to determine what liability, if any, arises to UNEP for staff employed in this manner.

31. *The UNEP Administration accepted recommendation 7 and stated that agreements between MAP and some of the RACs already exist. The remaining agreements will be negotiated by December 2009 subject to agreement by the RACs.* Recommendation 7 remains open pending receipt of legal agreements between MAP and the RACs defining their respective roles and responsibilities and guidance on issues such as use of UNEP logo and the rules and regulations under which the RACs will operate.

32. *The UNEP Administration accepted recommendation 8 and stated that it will review the contracts issued and will communicate to the relevant RAC by May 2009 that UNEP letter head cannot be used for the issuance on non-UNEP personnel.* Recommendation 8 remains open pending receipt of documentary evidence that UNEP Headquarters has reviewed the issue pertaining to four staff members employed using a contract with a UNEP letterhead and determining what liability if any could arise to UNEP for staff employed in this manner.

Activities undertaken without a valid delegation of authority

33. The previous OIOS audit report (AA2005/220/01) identified that there was a lack of clarity in the delegation of authority to MAP for administrative matters. UNEP addressed this issue when it established its accountability framework in June 2007. Based on this framework, the Executive Director of UNEP delegated to the Director, Division of Environmental Policy Implementation (DEPI) authority to: (a) sign standard legal instruments relevant for programme implementation; (b) request designation of certifying officers; (c) authorize procurement obligations, hospitality and travel of staff members; (d) authorize recruitment of consultants and individual contractors; and (e) accept interns. In September 2007, in accordance with his delegated authority, the Director of DEPI, who is responsible for MAP, further delegated his authority concerning travel and hospitality to the MAP Coordinator. The delegation memo also stated that further delegation of authority would follow in the areas of procurement, MOUs, consultants and individual contractors and interns, which at the time of audit had not been issued. Though it had no delegation of authority in

the above areas, MAP undertook and authorized a large number of activities without the permission of DEPI, and DEPI did not raise any concerns. The lack of clarity in this area needs to be addressed.

Recommendation 9

(9) UNEP Headquarters should review and confirm the Mediterranean Action Plan's delegated authority and take appropriate action if it is found that liabilities have been incurred on behalf of UNEP without proper authorization.

34. *The UNEP Administration accepted recommendation 9 and stated that a full review of delegated authority will be undertaken and the relevant delegation letters updated by December 2009.* Recommendation 9 remains open pending receipt of new delegation of authority letters and evidence of appropriate action undertaken if liabilities have been incurred on behalf of UNEP.

Job descriptions still not up-to-date

35. In its previous report (AA2005/220/01), OIOS had recommended and MAP had agreed to undertake a review of posts to ensure that job descriptions reflected actual work being performed by staff. The recommendation had been closed on the understanding that work was in progress. At the time of this audit, only eight out of a possible 25 posts had been reviewed. The ones that had not been reviewed included the Coordinator whose job description dated back to 1996, before the post was upgraded to D-2. These reviews are essential to ensure that the posts are needed and are being funded at the correct level.

Recommendation 10

(10) UNEP Headquarters should review the job descriptions of posts relating to the Mediterranean Action Plan to ensure that they adequately reflect current task demands and related requirements for skills, competencies and experience.

36. *The UNEP Administration accepted recommendation 10 and stated that the ongoing review of all job descriptions will be completed by December 2009 and classification done if and when required.* Recommendation 10 remains open pending receipt of documentary evidence showing the review of MAP job descriptions to ensure they adequately reflect current task demands and related requirements for skills, competencies and experience.

Post of an Administrative Clerk used as a Security Officer against UNEP instructions

37. Though the classified job description for Post OTO27800EL-L007 was for an Administrative Clerk, the post was used to recruit a Security Officer. This was approved on an exceptional basis by the Executive Director of UNEP in 2004 for a duration of one year. However, although MAP assured UNEP that the

post had reverted back to its original use, this was not the case, and the post was still being used for the Security Officer at the time of audit. The basis for the continued use of the post for a Security Officer appears to be in direct violation of UNEP instructions and calls into question whether there is a need for this administrative post.

Recommendation 11

(11) UNEP Headquarters should review the continued use of the post of Administrative Clerk for a Security Officer and take appropriate action.

38. *The UNEP Administration accepted recommendation 11 and stated that previous audit reports have welcomed increased security standards. The use of an appropriate post will be explored with the Department of Safety and Security (DSS).* Recommendation 11 remains open pending receipt of documentary evidence showing that it has been implemented.

Inadequate funding arrangements for staff training

39. As recommended in the last OIOS audit in 2005, the MAP secretariat undertook a training needs assessment which resulted in language and other horizontal skills training for staff members. This exercise was never repeated and no follow up action was taken to incorporate the results into the performance appraisal process. At the time of this audit, there was no adequate mechanism in place to ensure compliance with United Nations mandatory training for sexual harassment, ethics, security and for managerial skills required for higher level staff, such as the competency based selection and interviewing skills programme. It was unclear whether additional training funds were needed to maintain the effectiveness of the MAP secretariat.

Recommendation 12

(12) The UNEP Mediterranean Action Plan (MAP) secretariat should prepare a paper for consideration by the Contracting Parties outlining the training policy, the short term training requirements of MAP staff and the funding required to provide such training.

40. *The UNEP Administration partially accepted recommendation 12 and stated that like any other UNEP contract holders, the staff in the MAP Secretariat will be covered under UNEP's corporate training policy.* Recommendation 12 remains open pending receipt of submission of a training plan and budget for MAP staff.

Ineffective consultant roster

41. In line with the requirements of ST/AI/1999/7 Section 4, the MAP secretariat was maintaining a roster of consultants and individual contractors.

The effectiveness of this roster was limited because the roster only contained already contracted consultants and did not include information related to contractor performance on previous assignments. There was no mechanism for removing consultants on grounds of poor performance and there was no regular programme of placing advertisements to increase the size of roster. Therefore, the MAP secretariat could not demonstrate that it was obtaining good value for money from its existing arrangements for selection of consultants.

Recommendations 13 and 14

The UNEP Mediterranean Action Plan (MAP) Secretariat should put in place:

(13) A mechanism to regularly advertise its requirements for consultants to ensure that the roster contains an up to date list of experts who are able to satisfy its needs; and

(14) Procedures to record in its database the performance rating of consultants who have performed work for MAP and ensure that these procedures include provisions for the removal of consultants.

42. *The UNEP Administration accepted recommendation 13 and stated that a call for consultants will be made every six months.* Recommendation 13 remains open pending receipt of documentary evidence showing that a mechanism is in place to regularly advertise the requirements for consultants and to ensure that the roster contains an up to date list of experts who are able to satisfy the MAP's needs.

43. *The UNEP Administration accepted recommendation 14 and stated that this recommendation will be implemented as of the next quarterly report.* Recommendation 14 remains open pending receipt of procedures for performance assessment and removal of consultants.

Basis for significant increase in amounts paid to consultants was unclear

44. The period January 2006 to June 2008 saw a significant increase in the amount spent on consultants. The MAP secretariat spent approximately $1,220,000 on 67 consultants as compared to $340,000 on 163 consultants in the period January 2002 to December 2004. The average compensation per consultant per year had increased from around $1,000 to $7,000. Paragraphs 5.7 to 5.12 of ST/AI/1999/7 describe the basis on which remuneration should be determined. Paragraph 5.8 states that remuneration should be the minimum amount necessary to obtain the services required. When market forces require a higher amount to be made, a fully documented justification should be available.

45. OIOS noted one case where a consultant was paid approximately $12,000 a month, which was well above the L4/L5 base at which the consultant was assessed. There was an absence of documentation justifying the amount and there was no evidence of consultation with the United Nations Office at Nairobi

(UNON) or other local United Nations organizations on consultancy rates used. The MAP secretariat could not therefore demonstrate that it had acted in accordance with the ST/AI in arriving at the rates used.

Recommendation 15

(15) UNEP Headquarters should assist the Mediterranean Action Plan secretariat in drawing up procedures to establish remuneration rates for consultants, in accordance with ST/AI/1999/7. These procedures should involve a requirement for prior approval for use of higher rates.

46. *The UNEP Administration accepted recommendation 15 and stated that as part of the review of delegated authority, UNEP will ensure that UNON/HRMS is involved in establishing the appropriate rates.* Recommendation 15 remains open pending receipt of approved documented procedures for establishing remuneration rates for consultants, including mechanisms for approving higher rates.

Official travel being undertaken in violation of the United Nations travel rules

47. At the time of this audit, there were no satisfactory controls in place to ensure that travel was taking place in accordance with ST/AI/2006/4 on Official Travel. Substantive officers were arranging their own travel, often without evidence of competitive quotes and the role of MAP administration was limited to certification of funds and making payments. These arrangements do not constitute an effective control system to ensure that travel is undertaken in accordance with the rules and in an efficient and effective manner.

Recommendation 16

(16) UNEP Headquarters should put in place a control system to ensure that travel of Mediterranean Action Plan staff is undertaken in accordance with ST/AI/2006/4, using one or more official travel agents. The control system should ensure that adequate segregation of duties exists between the substantive and the administration office to avoid conflict of interest.

48. *The UNEP Administration accepted recommendation 16 and stated that the issue will be addressed as part of the review of delegated authority.* Recommendation 16 remains open pending receipt of documentary evidence of a control system put in place to ensure compliance with ST/AI/2006/4.

Travel irregularities

49. Of the $540,000 in travel expenses incurred in the period January 2006 to July 2008, 25 per cent ($134,230) was related to the travel of one staff member. For the period February to July 2008, this staff member spent 79

working days away from the duty station based on a mission-related justification, of which 31 days were spent in his home country. His travel plans were not submitted on a regular basis for approval and the plans that were submitted did not include required information such as the total number of days spent away on mission in the previous quarter and the total amount of funds spent on official travel. OIOS' analysis of travel claims highlighted the following irregularities:

- Section 4 (a) of ST/AI/1998/3 on the system of Daily Subsistence Allowance (DSA) states that when accommodation and/or meals are provided free of charge by the United Nations, a Government or a related institution, the DSA rate shall be reduced by 50 per cent. In violation of this provision, the staff member claimed full DSA even though free accommodation and transfer was provided by the event organizer.

- In violation of Section 3.2 of ST/AI/2006/4 on authorization of official travel, the staff member travelled beyond the authorized dates or combined missions in a way to extend his absence from the duty station, with a preference for his home country, for periods incompatible with approved travel plans. The staff member left the duty station and traveled to his home country one week before the authorized date and reported uncertified sick leave for part of this period. In another instance, the staff member was in his home country on a Friday, on uncertified sick leave, when the first mission-related commitment was on the following Monday. The staff member travelled while on sick leave or fell sick after departure as he was authorized to travel on the Friday - which is recorded as uncertified sick leave;

- The staff member recorded days between consecutive missions as working days away from duty station, not mission, or initiated return travel on Monday when the previous event had finished on Friday; and

- The staff member failed to account in the mission report for mission-related activities on all days indicated as mission.

Recommendation 17

(17) UNEP Headquarters should review and revise existing procedures for oversight of official travel to ensure that travel is carried out in compliance with ST/AI/1998/3 on System of Daily Subsistence Allowance and ST/AI/2006/4 on Official Travel.

50. *The UNEP Administration accepted recommendation 17 and stated that the issue will be addressed as part of the review of delegated authority, and the required business process will be put in place.* Recommendation 17 remains open pending receipt of documentary evidence of review of existing procedures for oversight of official travel.

Hospitality irregularities

51. OIOS reviewed hospitality expenses for reasonableness and found that the MAP secretariat was not in compliance with the delegation of authority dated 13 September 2007 granted to it by the DEPI Director and ST/AI/2002/8 on official hospitality. The audit showed that:

- Between September 2007 and October 2008, the MAP secretariat failed to submit quarterly reports in a prescribed format to DEPI identifying host name and grade, cost, guests, staff and related project/POW outputs with regard to hospitality. MAP secretariat staff stated that they were not aware that such reports were required;

- As regards compliance with Section 1.2 of ST/AI/2002/8, the MAP secretariat did not obtain any prior approval of the head of the department or office (DEPI in this case) before incurring hospitality expenditures amounting to $25,695 between January 2006 and October 2008;

- In two instances in 2005 and 2007 respectively, the MAP secretariat reimbursed hospitality expenditures incurred with regard to hosting a spouse and dependants, in violation of Section 2.1 (a) of ST/AI/2002/8;

- In one instance, an advance was given amounting to around $700, but later refunded as the reception was funded by organizers of the meeting. This was in violation of Section 2.2 of ST/AI/2002/8 which states that reimbursement is based on actual expenses incurred; and

- In some instances, reimbursement was in excess of the authorized limit of $45 per person outside of the home and the at home limit of $35 per person stipulated in a circular dated 1 June 2007 issued by the Director-General of UNON.

Recommendation 18

(18) UNEP Headquarters should review and revise existing procedures to improve oversight of hospitality expenses to ensure that hospitality expenses are incurred in compliance with ST/AI/2002/8 on Official Hospitality.

52. *The UNEP Administration accepted recommendation 18 and stated that the issue will be addressed as part of the review of delegated authority, and the required business process will be put in place.* Recommendation 18 remains open pending receipt of documentary evidence showing that a review has been undertaken of existing procedures to improve oversight of hospitality expenses.

V. ACKNOWLEDGEMENT

53. We wish to express our appreciation to the Management and staff of UNON, UNEP and MAP for the assistance and cooperation extended to the auditors during this assignment.

ANNEX 1

STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	Recommendation	Risk category	Risk rating	C/ O[1]	Actions needed to close recommendation	Implementation date[2]
1	The UNEP Mediterranean Action Plan Secretariat, with the assistance of UNEP Headquarters, should submit a paper to the Bureau outlining the impact of the 2004 budget freeze on delivery of the Programme of Work.	Financial	High	O	Receipt of a paper to the Bureau outlining the impact of the 2004 budget freeze on delivery of the Programme of Work.	30 June 2010
2	The UNEP Mediterranean Action Plan Secretariat, with the assistance of UNEP Headquarters, should make a proposal to the Contracting Parties on the level of contributions required from the Mediterranean Trust Fund to deliver the Programme of Work. The proposal should include the possible mechanisms for achieving the desired level of contributions, and the development of a fund raising strategy to meet shortfalls.	Financial	High	O	Receipt of documentation on the level of contribution required by the Mediterranean Trust Fund to deliver its Programme of Work.	30 June 2010
3	UNEP Headquarters should urgently address the uncollected amount of $5.7 million as of August 2008.	Financial	High	C	Action completed.	Implemented
4	The UNEP Mediterranean Action Plan secretariat should urgently prepare a paper for consideration by the Contracting Parties, outlining the level of operating reserve required and the mechanism it will use to keep the Contracting Parties informed of the adequacy of the reserve level.	Financial	Medium	O	Receipt of the proposed paper outlining the level of operating reserve required and the mechanism to keep the Contracting Parties informed on the adequacy of this level.	30 November 2009
5	The UNEP Mediterranean Action Plan (MAP) secretariat should review and revise its existing planning mechanism to include greater involvement of the MAP	Strategy	Medium	C	Action completed.	Implemented

Recom. no.	Recommendation	Risk category	Risk rating	C/ O[1]	Actions needed to close recommendation	Implementation date[2]
	components in the planning process.					
6	The UNEP Mediterranean Action Plan (MAP) secretariat should devise a mechanism for periodic review to ensure that its Programme of Work activities are effectively monitored, coordinated and prioritized by the different MAP components and major changes and shifts are adequately justified and properly authorized before being effected.	Governance	Medium	C	Action completed.	Implemented
7	UNEP Headquarters should ensure that there are legal agreements in place between Regional Activity Centres (RACs) and UNEP that define the respective roles and responsibilities for administrative and substantive activities. These agreements should also contain guidance on issues such as use of the UNEP logo and the rules and regulations under which the RACs will operate.	Governance	High	O	Receipt of legal agreements between MAP and the Regional Activities Centers defining their respective roles and responsibilities and guidance on issues such as use of UNEP logo and the rules and regulations under which the RACs will operate.	31 December 2009
8	UNEP Headquarters should urgently look into the matter of four staff members employed using a contract with a UNEP letterhead, to determine what liability, if any, arises to UNEP for staff employed in this manner.	Human Resources	Medium	O	Receipt of documentary evidence that UNEP Headquarters has reviewed the issue pertaining to four staff members employed using a contract with a UNEP letterhead and determining what liability if any could arise to UNEP for staff employed in this manner.	31 May 2009
9	UNEP Headquarters should review and confirm the Mediterranean Action Plan's delegated authority and take appropriate action if it is found that liabilities have been incurred on behalf of UNEP without proper authorization.	Governance	High	O	Receipt of new delegation of authority letters and evidence of appropriate action undertaken if liabilities have been incurred on behalf of UNEP.	31 December 2009
10	UNEP Headquarters should review the job descriptions of posts relating to the Mediterranean Action Plan to ensure that they adequately reflect current task	Human Resources	Medium	O	Receipt of documentary evidence showing the review of MAP job descriptions to ensure they adequately reflect current task demands and related requirements for skill,	31 December 2009

Recom. no.	Recommendation	Risk category	Risk rating	C/ O[1]	Actions needed to close recommendation	Implementation date[2]
	demands and related requirements for skills, competencies and experience.				competence and experience.	
11	UNEP Headquarters should review the continued use of the post of Administrative Clerk post for a Security Officer and take appropriate action.	Human Resources	Medium	O	Receipt of documentary evidence showing that recommendation 12 has been implemented.	31 December 2009
12	The UNEP Mediterranean Action Plan (MAP) secretariat should prepare a paper for consideration by the Contracting Parties outlining the training policy, the short term training requirements of MAP staff, and the funding required to provide such training.	Human Resources	Medium	O	Receipt of submission of a training plan and budget for MAP staff.	31 December 2009
13	The UNEP Mediterranean Action Plan Secretariat should put in place a mechanism to regularly advertise its requirements for consultants to ensure that the roster contains an up to date list of experts who are able to satisfy its needs.	Operational	Medium	O	Receipt of documentary evidence that a mechanism is in place to regularly advertise its need for consultant and ensure that the roster contains an up to date list of experts who are able to satisfy MAP needs.	Not indicated
14	The UNEP Mediterranean Action Plan (MAP) Secretariat should put in place procedures to record in its database the performance rating of consultants who have performed work for MAP and ensure that these procedures include provisions for the removal of consultants.	Operational	Medium	O	Receipt of procedures for performance assessment and removal of consultants.	31 July 2009
15	The UNEP Headquarters should assist the Mediterranean Action Plan secretariat in drawing up procedures to establish remuneration rates for consultants, in accordance with ST/AI/1999/7. These procedures should involve a requirement for prior approval for use of higher rates.	Compliance	Medium	O	Receipt of approved documented procedures establishing remuneration rates for consultants, including mechanisms for approving higher rates.	31 December 2009
16	UNEP Headquarters should put in place a control system to ensure that travel of Mediterranean Action Plan staff is undertaken in accordance with	Operational	High	O	Receipt of documentary evidence of a control system put in place to ensure compliance with ST/AI/2006/4.	31 December 2009

Recom. no.	Recommendation	Risk category	Risk rating	C/ O[1]	Actions needed to close recommendation	Implementation date[2]
	ST/AI/2006/4, using one or more official travel agents. The control system should ensure that adequate segregation of duties exists between the substantive and the administration office to avoid conflict of interest.					
17	UNEP Headquarters should review and revise existing procedures for oversight of official travel to ensure that travel is carried out in compliance with ST/AI/1998/3 on System of Daily Subsistence Allowance and ST/AI/2006/4 on Official Travel.	Operational	High	O	Receipt of documentary evidence of review of existing procedures for oversight of official travel.	31 December 2009
18	UNEP headquarters should review and revise existing procedures to improve oversight of hospitality expenses to ensure that hospitality expenses are incurred in compliance with UNEP guidelines and ST/AI/2002/8 on Official Hospitality.	Operational	High	O	Receipt of documentary evidence showing that review of existing procedures has been undertaken to improve oversight of hospitality expenses.	31 December 2009

1. C = closed, O = open
2. Date provided by UNEP in response to recommendations.