



INTERNAL AUDIT DIVISION

AUDIT REPORT

UNODC governance arrangements and funding mechanisms

Governance arrangements and funding mechanisms do not fully support the programme of work at UNODC

15 February 2011
Assignment No. AE2010/360/01

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. Yury Fedotov, Executive Director
A: United Nations Office on Drugs and Crime

DATE: 15 February 2011

REFERENCE: IAD: 11- **00172**

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

Fatoumata

SUBJECT: **Assignment No. AE2010/360/01 - Audit of UNODC governance arrangements and funding mechanisms**
OBJET: **mechanisms**

1. I am pleased to present the report on the above-mentioned audit.
2. 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. Your response indicated that you did not accept recommendation 1. In OIOS' opinion however, this recommendation seeks to address a significant risk area. We are therefore reiterating it and requesting that you reconsider your initial response based on the additional information provided in the report.
4. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as high risk (i.e., recommendations 1 and 8) in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. Francis Maertens, Director, Division for Operations, UNODC
Mr. Sandeep Chawla, Director, Division for Policy Analysis, UNODC
Mr. Dennis Thatchaichawalit, Director, Division for Management, UNOV/UNODC
Mr. Polinikis Sophocleous Chief, Financial Resources Management Service, UNOV/UNODC
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 UNODC governance arrangements and funding mechanisms

The Office of Internal Oversight Services (OIOS) conducted an audit of the United Nations Office on Drugs and Crime (UNODC) governance arrangements and funding mechanisms. The overall objective of the audit was to assess the adequacy of governance arrangements and funding mechanisms to implement the programme of work at UNODC. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

The overall conclusion was that the governance arrangements and funding mechanisms do not fully support the development and implementation of UNODC programme of work. UNODC needs to take action in the following areas:

- Common services provided by UNODC to the Commission on Crime Prevention and Criminal Justice (CCPCJ) and the Commission on Narcotic Drugs (CND) would benefit from a joint governance by these commissions.
- Plans are required to demonstrate how and when the UNODC strategy and Results Based Management will be implemented.
- Policy framework is needed to provide guidance on development, implementation, monitoring and review of procedures.
- The realignment exercise needs to be expanded to cover all functions and organizational units of UNODC.
- A review of programme cycles for thematic, regional and country programmes is needed to allow monitoring and overseeing performance at the appropriate levels to avoid duplication of efforts.
- An overarching fund raising strategy is needed to identify the total amount of resources required to fund the strategy, mandates and resolutions and to ensure sufficient core capacity to support earmarked activities.

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I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the governance arrangements and funding mechanisms at the United Nations Office on Drugs and Crime (UNODC). The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. UNODC is mandated to assist the Commission on Crime Prevention and Criminal Justice (CCPCJ) and the Commission on Narcotic Drugs (CND) in the conduct of their work. CND is the central policy-making body within the United Nations system for dealing with drug related matters. CCPCJ governs the operations and budget of the United Nations Crime Prevention and Criminal Justice Programme. The two Commissions are subsidiary bodies of the Economic and Social Council and the General Assembly.

3. UNODC is funded from three sources:

- The Fund of the United Nations International Drug Control Programme (UNDCP Fund) established pursuant to General Assembly resolution 45/179 of 21 December 1990. CND approves the budget.
- The United Nations Crime Prevention and Criminal Justice Fund (CPCJ Fund). CCPCJ approves the budget.
- Regular budget resources of the United Nations, approved by the General Assembly.

4. Table 1 reflects the income and expenditure for the UNDCP Fund, the CPCJ Fund and the regular budget (in thousands of United States dollars) for 2006-2007 and 2008-2009.

Table 1: Income and expenditure from 2006 to 2009

Fund	Income (2006/2007) \$(000)	Expenditure (2006/2007) \$(000)	Income (2008/2009) \$(000)	Expenditure (2008/2009) \$(000)
UNDCP	249,077	189,933	355,648	321,522
CPCJ	115,249	74,226	151,273	133,613
Regular budget	35,865	35,465	41,057	40,964
Total	400,191	299,624	547,978	496,099

5. The UNDCP and the CPCJ Funds include general-purpose funds, special purpose-funds and Programme Support Cost (PSC) income. General-purpose funds are un-earmarked voluntary contributions, which finance executive direction and management as well as programme and programme support costs both at headquarters and in the field. Special-purpose funds are earmarked voluntary contributions that finance technical cooperation and other substantive activities at headquarters and in the field. UNODC relies heavily on the special-purpose funds, which accounted for 88 per cent of total funds for UNDCP and 90

per cent of total funds for CPCJ in 2008-2009. PSC are recovered through the application of a charge against activities funded from special-purpose contributions. In accordance with administrative instruction ST/AI/286 of 3 March 1982, these resources are used in areas where a demonstrable relationship exists between the supporting activity concerned and the activities that generated the programme support revenue, namely, central administrative and programme management functions at headquarters and project management functions in field offices.

6. The regular budget resources finance (a) policymaking organs, executive direction and management, programme and programme support in Vienna and at United Nations Headquarters; and (b) other United Nations operations in Vienna whose activities benefit UNODC, including those pertaining to the United Nations Office at Vienna, the Department for General Assembly and Conference Management and the Department of Safety and Security.

7. Comments made by UNODC are shown in *italics*.

II. AUDIT OBJECTIVES

8. The main objective of the audit was to assess the adequacy of governance arrangements and funding mechanisms to implement the programme of work at UNODC.

III. AUDIT SCOPE AND METHODOLOGY

9. The audit was carried out at UNODC Headquarters in Vienna between 20 September and 18 October 2010. It involved a review of the governance, administrative and funding processes, supporting the creation and implementation of the UNODC programme of work.

10. The audit included interviews with staff, an analysis of statutory responsibilities, internal processes and funding arrangements in the work programme cycle of planning, implementation, monitoring and reporting.

IV. AUDIT RESULTS

A. Administrative support to governing bodies

A joint governance mechanism could improve common services provided by UNODC to CND and CPCJ

11. UNODC is the secretariat of two Commissions that are subsidiary bodies of the Economic and Social Council (ECOSOC) and the General Assembly: the Commission on Narcotic Drugs (CND) and the Commission on Crime Prevention and Criminal Justice (CCPCJ). The CND is the central policy-making body within the UN system for dealing with drug related matters. The

CCPCJ governs the operations and budget of the United Nations Crime Prevention and Criminal Justice Programme.

12. The two Commissions meet separately, govern different funds and oversee their own programme of work. They did not pool funds for the administrative and budgetary services provided by UNODC to support their activities. While UNODC apportioned the costs of these services between the Commissions, it had to request and report on their funding separately with each Commission. Commission members and UNODC staff were of the view that this practice was inefficient, describing the current arrangements as ‘fragmented’.

13. No joint CND/CCPCJ committee existed for governing common services provided to the two Commissions. Establishing a joint committee to oversee common services provided by UNODC would allow more transparent economies of scale and therefore greater accountability on the use of resources by UNODC.

Recommendation 1

(1) The UNODC Administration should prepare a proposal for submission to the Open-ended Working Group on Improving the Governance and Financial Situation of UNODC on joint funding and management of common administrative and budgetary services to the Commission on Crime Prevention and Criminal Justice and the Commission on Narcotic Drugs. The proposal should identify the core administrative and budgetary services needed to service the Commissions, how to fund these services, and how the Commissions should govern them jointly.

14. *The UNODC Administration did not accept recommendation 1 and stated that the recommendation remains “open” so that the context of it could be reviewed in parallel with the Joint Inspection Unit’s recommendations on governance. In particular, UNODC view the fragmentation of budgets as an issue pertinent to the UNODC funds as a whole (drugs vs crime matters, regular budget vs extra-budgetary funding and the different governing body approvals depending on the source of funding). The “merging” of the two Commissions idea is therefore more linked to the discussion of better coordinating the programmes substantively. UNODC is therefore of the opinion that the recommendation should be refocused on benefits on programmatic aspects rather than on the common services and costs relating to running the meetings themselves. OIOS focused on common administrative and budgetary services and therefore recommended a proposal in support of joint funding and management of common administrative and budgetary services to the two commissions. Recommendation 1 remains open pending confirmation of the outcome of UNODC’s review of the recommendation of OIOS in parallel with the Joint Inspection Unit’s recommendations on governance and the subsequent submission of a proposal to the Open-ended Working Group on Improving the Governance and Financial Situation of UNODC.*

B. Strategic planning

Strategic plan should be enhanced by including a statement of objectives and results

15. The strategic plan (“Strategy of UNODC for the period 2008-2011”) sets out the programmes of work of the two Commissions, the goals, the objectives needed to achieve the goals and the results that will demonstrate achievement of objectives.

16. However, while the strategic plan discusses the key strategic visions such as obtaining more stable, predictable and sufficient funding and management support goals, it lacks necessary information on how to achieve the visions and goals. There is therefore no basis for the Commissions to determine UNODC’s effectiveness in these areas, especially in relation to the programmes of work.

Recommendation 2

(2) The UNODC Administration should ensure that the UNODC strategic plan’s vision elements and management support goals include specific objectives, expected results and related indicators of achievement clearly linked to the programmes of work of the Commission on Crime Prevention and Criminal Justice and the Commission on Narcotic Drugs.

17. *The UNODC Administration accepted recommendation 2 subject to a distinction being made between the vision and management support elements of the strategic plan. While it is true that the Management Support part of the 2008-2011 strategy was not supported by an adequate results framework, this has been corrected in the draft strategic framework for 2012-13 that includes some elements of management support (like co-financing and strategic planning) as part of the programme of work and have therefore been linked to the expected accomplishments of the programme of work.*

18. OIOS welcomes the intention to link some elements of management support in the draft strategic framework for 2012-2013 to the programme of work, but stresses that vision elements are equally important and that these elements with all management support elements should be linked to the programme of work in order to ensure that they are budgeted for and that the expected results and indicators of achievements are monitored and reported on in the programme performance reports. Recommendation 2 remains open pending receipt of the 2012-2013 programme of work that includes specific objectives, expected results and related indicators of achievement for UNODC strategic plan’s vision elements and management support goals of the Commission on Crime Prevention and Criminal Justice and the Commission on Narcotic Drugs.

Lack of an implementation plan for achieving strategic goals and objectives

19. The strategic plan indicated that UNODC would develop an implementation plan as an internal managerial tool. The plan would include: (a) how each concrete result specified in the strategy will be achieved; (b) costs of achieving results; (c) where each activity will be carried out (country, region, world); (d) who (in terms of work units) will be responsible for it; and (e) what performance indicators will be used to measure its achievements. However, this internal managerial tool has not been developed. In the absence of a detailed implementation plan, UNODC may not achieve strategic goals and their effectiveness cannot be demonstrated.

Recommendation 3

(3) The UNODC Administration should prepare an implementation plan, for consideration by the Commissions, setting out the timeframe and cost for the activities required to achieve the strategy.

20. *The UNODC Administration accepted recommendation 3 subject to consideration of the following comments. The Administration stated that while a consolidated implementation plan for the 2008-2011 strategy has not been created, because it would have to cover the 53 results noted in the strategy, it does not mean that the Strategy 2008-2011 does not have a robust performance measurement framework. The UNODC Strategic Framework for 2010-2011, as well as the Thematic, Regional and Country Programmes (ongoing or under development) are directly linked to the results specified in the UNODC Strategy 2008-2011. Furthermore, the deficiencies in the planning, namely the absence of a direct link between the 2008-2011 strategy and costing of implementing the strategy will be remedied in the 2012-2013 programme and budget cycle where the programme budgets will be linked to the strategic framework for 2012-2013. Recommendation 3 remains open pending receipt of documentation on the preparation of an implementation plan for the 2012-2013 strategies included in the strategic framework; or the finalization and submission of the 2012-2013 strategic framework and the programme budget for that period displaying the direct link between them and satisfying the elements of an implementation plan, i.e. setting out the timeframe and cost for the activities required to achieve the strategies contained in the strategic framework.*

C. Policy guidance

There is no policy framework to guide the development of the operations manual

21. To strengthen the management of field operations, in 2009 UNODC tasked the Strategic Planning Unit (SPU) with coordinating the preparation of an operations manual. This manual would bring together the policies and procedures that project managers needed to carry out their work. There was, however, no guidance for:

- identifying what policies and procedures are needed;

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- development and approval of policies and procedures;
 - dissemination and communication of policies;
 - monitoring adherence; and,
 - assessment and review of when policies should be changed.

Recommendation 4

(4) The UNODC Administration should develop a framework to guide the development of policies contained in UNODC's operations manual.

22. *The UNODC Administration accepted recommendation 4 and stated that the implementation of the operations manual is the first step towards normalizing the processes in the recommendation.* OIOS appreciates the response provided by UNODC but emphasizes that it is important to have a policy guidance framework in place before finalization of the operations manual to ensure that it is comprehensive and current, and that there are appropriate mechanisms for disseminating and communicating policies and procedures and for monitoring their application. Recommendation 4 remains open pending receipt of a copy of the policy guidance framework.

D. Functions, roles and responsibilities

The realignment exercise did not cover all organizational units

23. In 2008 UNODC launched a realignment exercise with the aim to simplify its structure and to enable it to perform its mandates and programme of work in a more integrated and effective way both at Headquarters and in the field. The exercise also aimed to provide consistency in the objectives, policy approaches and management arrangements across UNODC.

24. OIOS (report MECD-2006-003 – Inspection of programme management and administrative practices) recommended UNODC to review its terms of reference and the Secretary-General's bulletin on the reorganization of UNODC (ST/SGB/2004/6) to clarify the functions of the respective divisions, branches and sections, avoid duplication and highlight complementarities and comparative advantages between its different components. UNODC stated that the realignment exercise would satisfy the recommendation made by OIOS. However, the realignment exercise excluded the Division for Policy Analysis and Public Affairs, field offices and the support functions of the Division for Management. UNODC did not document the rationale for this exclusion, which calls into question whether it has met the aims of the exercise and fully implemented the recommendation.

Recommendation 5

(5) The UNODC Administration should expand the realignment exercise to include all divisions, branches and field offices.

25. *The UNODC Administration accepted recommendation 5 and stated that the recommendation will be implemented within 2012-2013 and commenced with reflection in the Strategic Framework for 2012-2013, which was adopted by the General Assembly on 24 December 2010 (A/RES/65/244). Recommendation 5 remains open pending receipt of documentation providing evidence that reasonable progress is made on the realignment exercise.*

E. Performance monitoring and reporting

Lack of a plan to ensure timely implementation of Results Based Management (RBM)

26. UNODC decided to implement RBM in 2003. However, a project manager at a senior level was not assigned to oversee the process, no deadline was set as to when RBM should be implemented, and there was no plan detailing what needed to be done and the resources required to achieve implementation. Whilst a steering committee was established in 2005 to drive the process, no terms of reference were created, and it ceased to exist after meeting four times. UNODC then created SPU to implement RBM headed by a P-5, reporting to the Director, Division for Policy Analysis and Public Affairs who did not have any responsibility for RBM implementation. The SPU has implemented elements of RBM, such as the strategic plan, but these have not been completed in the context of an overall plan detailing all the elements and milestones, which need to be completed to introduce RBM.

27. The absence of a detailed plan has resulted in UNODC developing RBM in an ad-hoc way. It remained unimplemented at the time of the audit; it was unclear when UNODC would complete implementation. OIOS had previously pointed out the importance of the above-mentioned elements (report MECD-2006-003 – Inspection of programme management and administrative practices), recommending UNODC to show senior management commitment to RBM and establish an RBM mechanism/function. UNODC has not acted on either of these recommendations.

28. In 2006, RBM and Project Cycle Management (PCM) were combined to create project GLO171 titled “Change Management” to improve the capacity to plan, manage, monitor and report on results in line with the UNODC strategy, and by aligning quality management and RBM processes. Combining RBM and “Change Management”, without an organization-wide methodology, performance management framework or plan to strengthen RBM resulted in UNODC performing ad-hoc tasks under the project, and the non-sustainability of the SPU contributed to slow progress in RBM implementation. Key RBM activities relating to the alignment of planning, monitoring and reporting tools are yet to be completed. These include clarifying monitoring, planning and reporting requirements at suitable operational levels and developing guidelines, manuals and other sustaining material and translating it onto the ProFi (Programme and Financial Management System) platform to ensure alignment between reporting needs and project reporting requirements.

29. An implementation plan will bring clarity to the current situation and provide direction as to how and by when RBM will be introduced in UNODC. It will also identify accountability for the delivery.

Recommendation 6

(6) The UNODC Administration should assign a senior manager with responsibility for ensuring implementation of Results Based Management and develop a plan for its implementation which should identify, as a minimum, roles and responsibilities for the implementation, as well as milestones and resources needed.

30. *The UNODC Administration accepted recommendation 6 and stated that the senior manager responsible for implementing RBM is the Chief of the Strategic Planning Unit but redeployed to the Independent Evaluation Unit. Every effort is now being made to reinstate the position of the Chief Strategic Planning Unit, using stable resources. Also, the implementation of the RBM approach to UNODC's programme delivery is closely tied to the overall implementation of RBM by the Secretariat as a whole. Detailed guidelines and procedures are yet to be issued Secretariat wide. Therefore, the implementation of a fully fledged RBM must be linked to a standard methodology to be issued in coordination with UNHQ. In addition, the RBM initiative is also closely dependent on technological improvements tightly linked to the Umoja initiative since the data requirements, operational structures and reporting are being fully and uniformly defined within Umoja. The main technological vehicle for implementing RBM is therefore not the existing UNODC systems such as PROFI but rather the Umoja initiative. The timelines, therefore, for implementation of a fully supported RBM will depend on these global initiatives and not solely to local efforts.*

31. OIOS views the reinstatement of the Chief of the Strategic Planning Unit as a positive step, but is of the opinion that the UNODC Administration should assign a senior manager with responsibility for ensuring implementation of RBM at UNODC. Also, as RBM is an ongoing process with Secretariat-wide initiatives, appropriate systems to implement RBM should be introduced. It is therefore important that the UNODC Administration develop a plan for its implementation which should identify, as a minimum, roles and responsibilities for the implementation, as well as milestones and resources needed. The plan should provide for Secretariat-wide initiatives and the introduction of systems. Recommendation 6 remains open pending confirmation of the assignment of a senior manager responsible for RBM and the completion of the plan to implement it.

The current project management cycle does not support the shift from a project-based approach to a programmatic approach

32. Until 2008, the programme of work was project-based with monitoring and reporting done at the project level. In 2008, UNODC decided to shift from the project-based approach to a programmatic approach. Projects were grouped

by topic and geographically; i.e. thematically (such as corruption, terrorism prevention and crime prevention and criminal justice reform) and by region. UNODC would implement projects within these thematic areas at Headquarters, regional and country levels. Reporting and monitoring could therefore take place at the level of project, programme or theme at country, regional or headquarters levels.

33. To implement the programmatic approach, UNODC needed to consider the level at which it would monitor and report on activities, by whom and when, internally as well as externally. Whilst it had not conducted this analysis, UNODC recognized that policies and administrative systems would have to be changed. There was also a need to clarify monitoring and reporting requirements at the suitable operational levels to allow management and governing bodies to oversee performance, whether at country, regional or global levels. These requirements should also enable strengthened reporting on operations, in particular regional and country office operations, to governing bodies and reduce ad-hoc reporting and duplication of efforts.

Recommendation 7

(7) The UNODC Administration should clarify and establish programme cycles for thematic, regional and country programmes to allow monitoring and overseeing performance at the appropriate levels and avoid duplication of efforts.

34. *The UNODC Administration accepted recommendation 7 and recently launched a new monitoring and review system which aims at enhancing the efficiency of HQ monitoring and oversight on Field Office's management and programme performance. The system aims to be as streamlined and cost-effective as possible, taking into account the limited UNODC human resources. The methodology also aims to create a more proactive monitoring structure through systematized qualitative and quantitative oversight and with a strong focus on Field Offices' managerial and administrative aspects. The proposed monitoring procedures are intended to remain simple and user-friendly, and while entailing a partial re-shaping of existing instruments, they will not envisage the introduction of additional tools, also keeping in mind previous audit recommendations which advised for the rationalization and streamlining of Field Offices' reporting requirements.*

35. Based on the actions taken and progress made by the Division for Operations to launch the new system to monitor and oversee Field Office's programme performance at the appropriate levels and considering the steps still needed to implement the system organization wide, recommendation 7 remains open pending confirmation that the new approach is accepted throughout UNODC's divisions and expanded to include all thematic, regional and country programmes.

F. Funding

UNODC needs an overarching strategy to mitigate risks of an over-reliance on extra-budgetary resources

36. Almost 90 per cent of UNODC's voluntary contributions are earmarked. In the past biennium, general-purpose income reduced by 22 per cent, whereas voluntary contributions increased by 43 per cent in the UNDCP Fund and 31 per cent in the CPCJ Fund. Most donors earmarked their voluntary contributions to specific projects, leaving little operating flexibility to respond to complex programmatic and managerial challenges. This is also not in accordance with General Assembly resolution 59/250 (Triennial comprehensive policy review of operational activities for development of the United Nations system), which stated that supplementary contributions should not be "a substitute for core resources". The most common problems cited relate to the management of financial, human and physical resources in field offices as reported in UNODC's 2010 Annual Report. In the document E/CN.7/2010/13 (Changes required to the strategic framework and their implications for UNODC and for the allocation of resources to the programme of work), the Secretariat stated "the complex funding structure has meant that financial "crises" have been an unfortunately familiar event". The 2010 Annual Report mentioned that UNODC's funding model severely compromised its effectiveness. Stakeholders viewed the lack of predictable and sufficient core financial resources as a factor for UNODC to fall short of its mandates.

37. A further problem stemming from the imbalance between core and earmarked funding is the risk of creating additional financial liabilities that the level of core funding cannot support. These include instances where the expansion of mandates funded through extra-budgetary resources involve liabilities funded from core resources, such as end-of-service liabilities, which totaled \$25 million at the end of the 2008-2009 biennium.

38. UNODC has recognized the importance of ensuring sufficient resources to support project activities. Management Instruction UNODC/MI/6/Rev.2 stipulates that "When discussing donor pledges, Co-financing and Partnership Section (CPS) shall play a key coordinating role in ensuring that an appropriate balance is maintained between general-purpose fund resources and those made available for technical cooperation activities". However, there is no overarching fund raising strategy to ensure that core funds are sufficient to meet needs. In order for CPS to develop such a strategy, benchmark amounts based on the level of core resources needed to support programmatic activity must first be determined and communicated to CPS to optimize efforts in obtaining predictable and sufficient funding for UNODC's operations and support for operations, including administration.

Recommendation 8

(8) The UNODC Administration should through its Co-financing and Partnership Section, develop a multi-year fund raising strategy (resource mobilization strategy) and include

benchmark amounts based on the level of core resources needed to support programmatic activity and to ensure that an appropriate balance is continuously maintained between general-purpose funding resources and earmarked extra-budgetary resources.

39. *The UNODC Administration accepted recommendation 8, indicating implementation by November 2011, subject to the following considerations. UNODC remains a donor-based organization with a 90 per cent dependency on voluntary funding. Benchmarks for core funding are established in the approved biennial budget and comprise regular budget and extra-budgetary resources. The resource mobilisation under the regular budget is an inter-governmental policy-based process, the outcome of which is approved by the General Assembly. The key drivers in this process are the senior management of UNODC (Executive Committee) and the Division for Management. The CPS has no specific role in this process. In contrast, CPS has a clear mandate in the coordination of resource mobilisation initiatives relative to voluntary or extra-budgetary sources of income. The general purpose funding is approved by the CND & CCPCJ for each biennium. While biennial General Purpose resource requirements are thus clearly established by the UNODC governing bodies, actual funding is dependent on the available annual budgets of a very limited number of Member States (major donors). Multi-year general purpose deposits are non-existent and the income planning of voluntary core resources is, therefore, difficult if not impossible. Previous attempts to establish some sort of a voluntary indicative contribution scheme for core funding - based on objective criteria - could not be supported on a consensus basis among major donors.*

40. *Similarly, the newly established intergovernmental working group on governance and finance so far has not been able to agree on a predictable and sustainable funding model for core funding. UNODC recently established an interdivisional task force with the objective to design a system of full programme cost recovery, including the indirect cost of its infrastructure needed to develop, implement, monitor and manage its technical assistance programmes. If such a system can be developed and accepted in the course of 2011, then the dependency on unpredictable general purpose funding may gradually decrease over the coming years. The funding strategy for the special purpose-funded technical assistance programmes has been quite successful. Over the past five years, the annual special purpose funding level has more than doubled from US\$100 million (2005) to over US\$220 million (2010). This has been achieved by a significant broadening of the UNODC donor resource base through a process of strategic partnering that entails, inter alia, systematic accountability, comprehensive donor relations management, and regular policy and budget consultations with key donor and new partners on a new integrated programme approach.*

41. OIOS recognizes the lack of predictable and sufficient core financial resources and the difficulties that the current funding modalities present. Also, OIOS notes that the Open-ended Working Group on Improving the Governance and Financial Situation of UNODC has so far not been able to agree on a predictable and sustainable funding model for core funding and that previous

attempts to establish some sort of a voluntary indicative contribution scheme for core funding, based on objective criteria, could not be supported on a consensus basis among major donors. OIOS views the establishment of an interdivisional task force a positive step in supporting technical assistance programmes through the design of a cost recovery system. OIOS considers the above-mentioned comments and difficulties on funding modalities indicate the need for a resource mobilization strategy to mitigate the risk of an overreliance on extra-budgetary resources, and that an appropriate balance is continuously maintained between general-purpose funding resources and earmarked extra-budgetary resources at Headquarters and in the field. Recommendation 8 remains open pending receipt of a copy of the finalized resource mobilization strategy.

V. ACKNOWLEDGEMENT

42. We wish to express our appreciation to the Management and staff of UNODC for the assistance and cooperation extended to the auditors during this assignment.

STATUS OF AUDIT RECOMMENDATIONS
Assignment No. AE2010/ 360/01 – Audit of UNODC governance and funding arrangements

Recom. no.	Recommendation	Risk category	Risk rating	C/O¹	Actions needed to close recommendation	Implementation date²
1	The UNODC Administration should prepare a proposal for submission to the Open-ended Working Group on Improving the Governance and Financial Situation of UNODC on joint funding and management of common administrative and budgetary services to the Commission on Crime Prevention and Criminal Justice and the Commission on Narcotic Drugs. The proposal should identify the core administrative and budgetary services needed to service the Commissions, how to fund these services, and how the Commissions should govern them jointly.	Governance	High	O	Confirmation of the outcome of UNODC's review of the recommendation of OIOS in parallel with the Joint Inspection Unit's recommendations on governance and the subsequent submission of a proposal to the Open-ended Working Group on Improving the Governance and Financial Situation of UNODC.	Not provided
2	The UNODC Administration should ensure that the UNODC strategic plan's vision elements and management support goals include specific objectives, expected results and related indicators of achievement clearly linked to the programmes of work of the Commission on Crime Prevention and Criminal Justice and the Commission on Narcotic Drugs.	Strategy	Medium	O	Submission of the 2012-2013 programme of work that includes specific objectives, expected results and related indicators of achievement for UNODC strategic plan's vision elements and management support goals of the Commission on Crime Prevention and Criminal Justice and the Commission on Narcotic Drugs.	Not provided
3	The UNODC Administration should prepare an implementation plan, for consideration by the Commissions, setting out the timeframe and cost for the activities required to achieve the strategy.	Operational	Medium	O	Receipt of documentation on the preparation of an implementation plan for the 2012-2013 strategies included in the strategic framework; or the finalization and submission of the 2012-2013 strategic framework and the programme budget for that period displaying the direct link between them and satisfying the elements of an implementation plan, i.e. setting out the timeframe and cost for the activities	Not provided

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
					required to achieve the strategies contained in the strategic framework.	
4	The UNODC Administration should develop a framework to guide the development of policies contained in UNODC's operations manual.	Governance	Medium	O	Receipt of a copy of the policy guidance framework	Not provided
5	The UNODC Administration should expand the realignment exercise to include all divisions, branches and field offices.	Governance	Medium	O	Receipt of documentation providing evidence that reasonable progress is made on the realignment exercise.	31 December 2013
6	The UNODC Administration should assign a senior manager with responsibility for ensuring implementation of Results Based Management and develop a plan for its implementation which should identify, as a minimum, roles and responsibilities for the implementation, as well as milestones and resources needed.	Operational	Medium	O	Confirmation of the assignment of a senior manager responsible for RBM and the completion of the plan to implement it.	Not provided
7	The UNODC Administration should clarify and establish programme cycles for thematic, regional and country programmes to allow monitoring and overseeing performance at the appropriate levels and avoid duplication of efforts.	Operational	Medium	O	Confirmation that the new approach is accepted throughout UNODC's divisions and expanded to include all thematic, regional and country programmes.	Not provided
8	The UNODC Administration should through its Co-financing and Partnership Section, develop a multi-year fund raising strategy (resource mobilization strategy) and include benchmark amounts based on the level of core resources needed to support programmatic activity and to ensure that an appropriate balance is continuously maintained between general-purpose funding resources and earmarked extra-budgetary resources.	Financial	High	O	Receipt of a copy of the finalized resource mobilization strategy.	30 November 2011

¹ C = closed, O = open

² Date provided by UNODC in response to recommendations