INTERNAL AUDIT DIVISION

OFFICE OF INTERNAL OVERSIGHT SERVICES

AUDIT REPORT

Comprehensive audit of the United Nations Mission in Nepal (UNMIN)

28 November 2007
Assignment No. AP2007/560/4

TO: Mr. Ian Martin,
A: Special Representative of the Secretary-General
United Nations Mission in Nepal

DATE: 28 November 2007

REFERENCE: AUD-8-3-1: (07- *00 776*)

Mr. B. Lynn Pascoe, Under-Secretary-General
Departmernt of Political Affairs

Mr. Jean-Marie Guéhenno, Under-Secretary-General
Department of Peacekeeping Operations

Ms. Jane Holl Lute, Assistant Secretary-General and
Officer-in-Charge
Department of Field Support

Ms. Alicia Bárcena, Under-Secretary-General
Department of Management

FROM: *for* William Peters
Dagfinn Knutsen, Director
DE: Internal Audit Division, OIOS

SUBJECT: **OIOS Audit No: AP2007/560/04: Comprehensive audit of the United**
OBJET: **Nations Mission in Nepal (UNMIN)**

1.   I am pleased to present the report on the above-mentioned audit, which was conducted in June and July 2007

2.   Based on your comments, we are pleased to inform you that we will close recommendations 1-4, 6, 8, 11, 12, 14, 15, 18, 21-27 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 critical i.e.- recommendations 2, 4, 7-9, 15, 17-19, and 27-29, in its annual report to the General Assembly and semi-annual report to the Secretary-General.

4.   IAD is assessing the overall quality of its audit process and kindly requests the SRSG, UNMIN to consult with the managers who dealt directly with the auditors and complete the attached client satisfaction survey form.

United Nations ⬤ Nations Unies

cc: Mr. Warren Sach, Asssistant Secretary-General and the Controller, DM
     Mr. Karsten Herrel, CAO, UNMIN
     Mr. Philip Cooper, Director, DFS
     Mr. Jonathan Childerley, Chief, Oversight Support Unit, DM
     Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
     Mr. Byung-Kun Min, Programme Officer, OIOS

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).

CONTACT INFORMATION

DIRECTOR:
Dagfinn Knutsen, Tel: +1.212.963.5650, Fax: +1.212.963.2185,
e-mail: knutsen2@un.org

DEPUTY DIRECTOR:
Fatoumata Ndiaye: Tel: +1.212.963.5648, Fax: +1.212.963.3388,
e-mail: ndiaye@un.org

CHIEF, NEW YORK AUDIT SERVICE:
William Petersen: Tel: +1.212.963.3705, Fax: +1.212.963.3388,
e-mail: petersenw@un.org

EXECUTIVE SUMMARY
Comprehensive audit of the United Nations Mission in Nepal (UNMIN)

OIOS conducted a comprehensive audit of the United Nations Mission in Nepal (UNMIN or the Mission) from June to July 2007. The main objectives of the audit were to: (i) assess the effectiveness and efficiency of the management of UNMIN operations; (ii) determine whether the mission conducted its operations in compliance with UN regulations, rules and policies; and (iii) assess the adequacy of internal controls. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing

The Mission had major difficulties in the start-up phase of its operations due to the lack of staff and inadequate logistical support, which adversely affected the establishment of necessary internal controls and the implementation of the mission mandate. Despite those difficulties, the Mission was able to complete the first stage of registration of Maoist army personnel by mid February 2007, and the arms monitoring function of the Mission was operational due to arduous efforts of scarcely deployed UNMIN personnel, the logistical and resources support from member states, and the assistance of the UN Country Team. OIOS recommends in this report that the practice of using member states resources for start-up missions should be institutionalized and related policies and procedures on the practice including articulating the formal agreements necessary between the United Nations and the donor member states should be established and documented.

As well, in the view of OIOS, there is a need for developing a specific mechanism to launch short-term political missions, considering the short duration of their mandates and the associated high political and reputation risks for the Organization.

The audit found deficiencies in internal controls in operational areas of the Mission, especially in administrative and logistical planning, procurement and asset management. UNMIN management needs to take urgent action to address the following control weaknesses identified during the audit:

- There were ambitious timelines set for UNMIN's mandate and unclear eventual outputs and scenarios for further action in some substantive operations.

- After five months of operation, the Status-of-Mission Agreement and other Memorandums of Understanding between UNMIN and the Government of Nepal were still not signed. The Mandate Implementation Plan, the Mission Support Plan and Standard Operating Procedures (SOPs) were also in the process of preparation.

- There is a need to assess the adequacy and effectiveness of the standard approach, applicable to peacekeeping missions, in starting up special political missions with a short-term duration.

- While UNMIN's budget was prepared in the format applied for peacekeeping missions, the allotments were issued using regular budget codes for special political missions. This practice led to confusion and errors, and created additional workload for follow-up and adjustments

- Internal controls weaknesses were noted in cash management including the lack of procedures for handling keys to the safes, discrepancies in petty cash balances, and absence of surprise cash counts.

- There were serious internal controls shortcomings in procurement operations. Goods and services valued at more than $500,000 were delivered without purchase orders or other contractual documents with the vendors. UNMIN requisitioners also communicated directly with vendors in violation of procurement rules. These cases were brought to the attention of the Local Committee on Contracts on a post facto basis and their review is ongoing.

- The asset management control was deficient. The property records in the Galileo system were unreliable and did not reflect the actual quantity of assets held in warehouses and/or issued to users. Also, the physical security of assets in storage was not ensured.

- The security function in the Mission needed to be enhanced. The evacuation plan was not rehearsed, and the warden system was not operational. There were no security procedures in place to check passengers and cargo on United Nations flights, although UNMIN received two X-ray machines valued at $70,000. The mission is in the process of commissioning a warden system and installing security equipment and systems in all the security operations centers.

OIOS had made a series of other recommendations to correct deficiencies intended to improve the management of UNMIN's substantive and administrative operations which the Management accepted and implemented. The Department of Management did not submit its comments to the draft report.

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I. INTRODUCTION

1.   The Office of Internal Oversight Services (OIOS) conducted a comprehensive audit of the United Nations Mission in Nepal (UNMIN) from June to July 2007.

2.   In January 2007, by its Resolution 1740 (2007) the Security Council established UNMIN with the mandate to: (a) monitor the management of arms and armed personnel of the Government of Nepal and the Communist Party of Nepal (the parties); (ii) assist the parties in implementing the Comprehensive Peace Agreement and monitoring the ceasefire arrangements; (iii) provide technical support for the election of the Constituent Assembly of Nepal; and (iv) provide a team of electoral monitors to review the electoral process.

3.   UNMIN is provided with substantive guidance and operational support by the Department of Political Affairs (DPA) and the Department of Peacekeeping Operations (DPKO). Since July 2007, the Department of Field Support (DFS) has been responsible for the administrative and logistical support of UNMIN.

4.   The Mission's budget was approved on 27 March 2007 with a total authorized allotment of $88,882,000 for the period from 1 January 2007 to 31 December 2007, inclusive of the $9,363,600 Commitment Authority approved on 21 December 2006. The approved staffing table for UNMIN consists of 1,089 civilian personnel posts including 280 international and 389 national staff, 258 United Nations Volunteers (UNVs), 155 arms monitors and 7 UN police advisors.

5.   Nepal is divided into 5 administrative regions with security phases II and III in its 75 districts, as shown in Figure 1.

Figure 1 – Security phases in the area of UNMIN operations
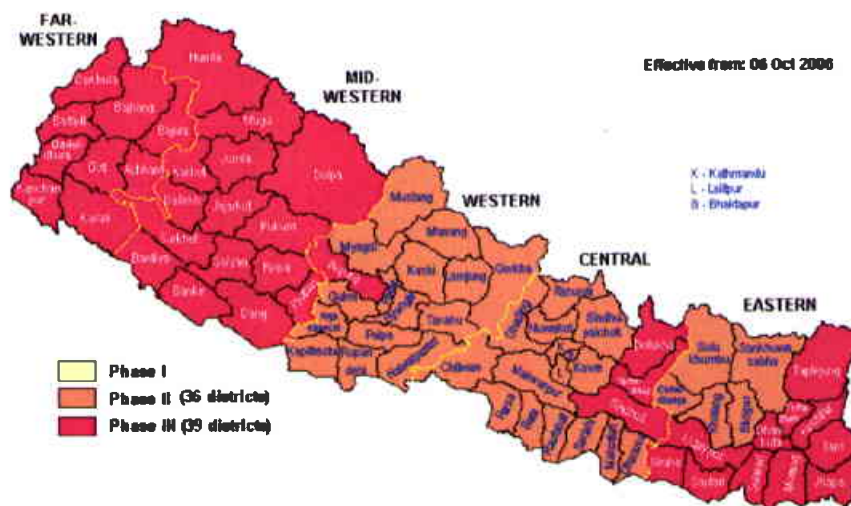
6.	The Government of Nepal is responsible for providing UNMIN with security and assistance of local authorities to ensure safe operations of the Mission in all districts of the country. The Government of Nepal is also providing office buildings for UNMIN in five administrative regions including the Mission's Headquarters in Kathmandu.

7.	UNMIN arms monitors operate in the 7 Maoist Army cantonment locations with the 21 satellite sites in various regions of Nepal. A location for storage of arms and ammunition for the Nepal Army was established in Kathmandu. The election of the Constituent Assembly, which was originally scheduled to be conducted in June and was postponed by the Nepalese Government to November 2007, will be supported by UNMIN electoral and other personnel (interpreters and drivers) in all 75 districts of Nepal.

8.	Comments made by the Department of Political Affairs (DPA) and the Department of Field Support (DFS) are shown in *italics*.

II. AUDIT OBJECTIVES

9.	The major objectives of the audit were to:

(a)	Assess the effectiveness and efficiency of the management of UNMIN operations;

(b)	Determine whether the mission conducts its operations in compliance with UN regulations, rules and policies; and

(c)	Assess the adequacy of internal controls.

III. AUDIT SCOPE AND METHODOLOGY

10.	The audit focused on the assessment of the adequacy of internal controls applied by the Mission and covered the overall management of UNMIN operations conducted from January to June 2007. The methodology used by the audit team included the selection and testing of sampled transactions in administrative and operational areas, interviews with responsible personnel and the review of related policies and procedures. The audit was conducted at UNMIN Headquarters in Kathmandu, and some issues were followed up at Headquarters in New York.

11.	The audit team also visited the cantonment site in Ilam (Eastern region of Nepal) and the UNMIN regional administrative office in Pokhara (Western region) to observe the security conditions for the storage of arms, check the established procedures for the verification of Maoist personnel and inspect the facilities provided by the Government of Nepal. Property control, cash management procedures, establishment of electoral assistance and arms monitoring functions were also reviewed at the UNMIN administrative office in Pokhara.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Management of substantive operations

<u>Oversight and monitoring function</u>

12.   The overall responsibility for managing UNMIN's substantive and support operations rests with the Special Representative of the Secretary General (SRSG). In order to effectively manage the Mission, a proper oversight mechanism has to be in place to assist UNMIN management in planning and coordinating the work of all functions, as well as monitoring the implementation of UNMIN's mandate.

13.   The audit noted that UNMIN had difficulties in preparing operational plans due to several factors. The postponement of the Constituent Assembly election by the government of Nepal from June to November 2007 caused numerous adjustments to plans related to the electoral assistance and other substantive and administrative support operations of UNMIN.

14.   Another factor causing planning problems was the delay in the deployment of managers and key personnel involved in the planning process. For example, the Civil Affairs Section, which is responsible for developing and promoting local conflict mitigation and dispute resolution capacities in Nepal, had no conflict adviser on board to assist in the planning process and the discharge of related functions. Five months after the start of the Mission, practically all operational plans of substantive and support functions were still in various phases of preparation. Only the arms monitoring function had completed its operational plan and updated records on its Results Based Budget indicators set in the mandate for substantive operations.

15.   To perform the function of oversight and monitoring over UNMIN operations, the SRSG established reporting and governance mechanisms in the Mission including: (i) daily meetings of senior management; (ii) weekly management meetings involving other UN agencies and programmes; (iii) weekly internal management meetings; (iv) bi-weekly strategic policy meetings; and (v) *ad hoc* briefings and meetings with the SRSG. UNMIN also submits daily situation reports, and weekly and monthly operational reports to New York Headquarters.

16.   OIOS found, however, that there was no individual or unit designated to assist the SRSG and management of respective substantive and administrative operations in monitoring the planning process, ensuring the establishment of proper internal controls, and tracking the status of the mandate implementation. As well, risk management, an important management function, was not being performed at the mission-wide level. In OIOS' opinion, a lack of effective centralized oversight and monitoring function for the substantive and administrative operations could impede the effective implementation of the mandate.

Recommendation 1

> (1) UNMIN should designate a focal point or unit to assist the SRSG and management of substantive and administrative operations in order to enhance the oversight and monitoring with respect to planning, coordination, mandate implementation, accountability, risk management, and internal control.

17. *UNMIN accepted recommendation 1 and stated that it had already been implemented, as the Chief of Staff (CoS) was on board as of August 2007 with the responsibility to assist the SRSG in the management functions, especially in linking substantive and administrative operations.* Based on the action taken by UNMIN, OIOS has closed recommendation 1.

Mandate implementation

18. Clearly defined tasks and outputs for field missions' *modus operandi* provide for successful implementation of the missions mandate. As indicated in paragraph 2 of this report, UNMIN has a 12-month multi-tasked mandate with three main components: (i) peace process; (ii) arms monitoring; and (iii) electoral assistance. OIOS observed a high reputation risk for the Organization due to the short duration of the mandate with ambitious timelines, complicated nature of operations, and volatile social-political environment in the country.

19. OIOS further noted that due to delays in the recruitment of key managers and personnel, some substantive operations and functions of the mission have not been established or were still in the start-up phase after more than five months since the start of the mission. This negatively affected the mandate implementation. For example, as of 1 July 2007, none of the five regional administrative offices were fully operational and their heads at the P-5 level were not yet recruited. After completing almost half of the mandate period, the Deputy SRSG and the Chief of Staff were still not on board. Several other substantive and administrative functions such as Civil Affairs, Gender Affairs, Child Protection, Conduct and Discipline, HIV/AIDS, Medical Service, Property Management were not established or were critically understaffed.

20. Despite difficulties in timely deployment of personnel and inadequate logistics support in the initial stage of the mission, UNMIN has managed to successfully complete the registration of military personnel within the planned timeline. By mid-February 2007, about 30,850 Maoist personnel were registered and 2,855 weapons were stored under 24-hour UN monitoring. An equivalent number of weapons of the Nepal Army was also stored under UN monitoring as part of the process.

21. By visiting one of the cantonments (Ilam district, Eastern region) where the military personnel of the Maoist Army was stationed, OIOS observed that the second stage of the arms and personnel monitoring component of the mandate (verification of Maoist personnel), which started by the Mission in mid-June 2007, was in the process of implementation with a well organized structure and

properly designed verification procedures. The tasks included the identification of Maoist military personnel who are minors and are subject to demobilization.

22. OIOS, however, noted that although the responsibilities of all substantive functions were spelt out in the Security Council resolution establishing UNMIN, the eventual outputs or scenarios for further action as well as exit strategies for some of mandated tasks were not yet developed by UNMIN. One of OIOS' main concerns was the lack of an action plan for the demobilization of Maoist child soldiers. OIOS found that no such plan had been prepared, although the verification process was in progress. According to the Political Affairs Office, the plan was still to be developed by UNMIN in cooperation with the UN Country Team, including UNICEF. One of the options under consideration was to provide financial compensation to the former Maoist soldiers. It is estimated that about 10,000 military personnel might not meet criteria for remaining on service in the Maoist army. In this regard, OIOS is concerned that no UNMIN documents had mentioned rehabilitation programs or any other "demobilization packages" to be offered to the former child combatants. It is hard to predict the behavior of the former Maoists after the verification process is over. However, in OIOS' opinion, there is a high risk of possible hostile activities on the part of the Maoist personnel, which may lead to turmoil in the country and negate the accomplishments of the Mission during its mandated period.

23. There is an urgent need to develop an action plan before the end of the verification process. Some member states have comprehensive rehabilitation programmes for refugees or displaced persons, which may be considered by UNMIN and the UN Country Team in developing the "demobilization package" to be offered to the Maoist child soldiers. OIOS believes that the Organization should seek advice and support from the member states and NGOs with experience in developing and implementing such rehabilitation programmes.

Recommendations 2 and 3

(2)   UNMIN, in coordination with the UN Country Team and DPA, should take urgent action to develop an action plan proposing constructive rehabilitation programmes for the Maoist personnel, who may be subject to demobilization from the army after UNMIN completes the verification process.

(3)   DPA and DPKO should ensure that future missions' mandates are supported by clearly defined outputs and scenarios for further action, as well as exit strategies for each mandated component.

24. *UNMIN and DPA accepted recommendation 2 and stated that it had been implemented, as UNDP and UNICEF prepared a provisional reintegration plan for Maoist personnel which would be refined further and discussed with the parties. DFS and DPKO noted, however, that the initiative was not a programme of "demobilization". OIOS has closed recommendation 2.*

25.   *DPA accepted recommendation 3 and stated that in July 2007, DPA in consultation with UNMIN, DPKO and DSS had initiated discussions on the development of scenarios and contingency plans for Nepal and these had been discussed with all relevant parties. Accordingly, the exit strategies will depend on the request from the Government and the decision of the Security Council.* Based on DPA's response, recommendation 3 has been closed.

Results Based Budget indicators

26.   In accordance with the Results Based Budget (RBB) methodology introduced for field missions in 2003, for each component of the budget, missions are required to indicate their accomplishments against planned indicators of achievement and planned outputs, which are given as a basis to monitor and measure the progress of the expected accomplishment of the mandate. The respective programme managers are expected to establish mechanisms to monitor and ensure that the planned outputs and indicators of achievement have actually been delivered. The data captured on the indicators of achievement and outputs forms the portfolio of evidence used to prepare the budget performance reports.

27.   UNMIN's mandate includes the Results Based Budget (RBB) indicators for substantive operations, the heads of which are responsible for compiling and consolidating the portfolio of evidence showing the achievements against the RBB indicators.   However, a review of the process for compiling and consolidating the required data on RBB outputs indicated that most programme managers were not actively involved in the process, mainly due to the lack of staff to keep track of the portfolio of evidence on an on-going basis.

28.   A good understanding of the RBB process by the respective programme managers is therefore necessary as it would promote the achievement of the RBB objectives. Several staff interviewed by OIOS pointed out that they had not received any training on the RBB process and indicated a strong preference for training in the RBB process to enable them to be more efficient in monitoring the RBB performance indicators.

29.   OIOS also observed, as a good practice, a visit of a staff member from DPKO's Best Practice Section to review and analyze the work of the Mission in its start-up phase.   The expert from the Best Practices Section reviewed the substantive operations, including arms and personnel monitoring, civil affairs and other functions, and compiled lessons learned and recommendations for improvements in managing the Mission's operations.   OIOS commends DPKO/DFS for their initiative to assist UNMIN in evaluating the interim results of substantive operations and identifying areas for improvements, and believes that such a practice is a value added exercise which should be applied in all new field missions.

Recommendations 4 to 6

(4)   UNMIN should ensure that a proper mechanism is in place to record, analyze and maintain data on the achievement of the

Results Based Budget (RBB) indicators related to all substantive operations of the Mission.

(5)   DPA should ensure that all programme managers and staff members who are responsible for monitoring the achievement of RBB indicators receive adequate training in using the RBB process.

(6)   DPKO should continue the practice of sending experts from the Best Practices Section to the field to assist the new missions in assessing risks and processes in the start-up phase, and to share experiences on lessons learned and best practices in field missions

30.   *UNMIN accepted recommendation 4 and stated that although UNMIN as a special political mission is not required by either the Controller's budget or OIOS performance report instructions to produce a portfolio of evidence like the missions funded from special assessed contributions, it had nevertheless developed a data collection planner as its own management tool. UNMIN further said that the tool had been shared with the substantive sections who would update the actual data for the period January-September 2007.* Based on UNMIN's response that the collection planner had been already established and was in use, OIOS has closed recommendation 4.

31.   *DPA accepted recommendation 5 and stated that DPA and UNMIN are considering the organization of training on the RBB process at the Mission level which would be done in consultation with DFS.* Recommendation 5 remains open pending the arrangement of training for staff involved in the RBB process.

32.   *DPKO accepted recommendation 6 and stated that Peacekeeping Best Practices Section (PBPS) was pleased that the contribution of the best practices staff during UNMIN's start-up had been recognized. DPKO further stated that their policy is to deploy Best Practices Officers in all multidimensional missions and to send staff temporarily only when deployment had been delayed as was the case with UNMIN.* Based on DPKO's response, recommendation 6 has been closed.

Status-of-Mission Agreement and operational plans

33.   In February 2007, a draft Status-of-Mission Agreement (SOMA) was submitted to the Permanent Mission of Nepal to the United Nations. On 13 April 2007, the Ministry of Foreign Affairs of Nepal responded by proposing a number of modifications, which, according to UNMIN, were still under discussion at the time of the audit. Five months into the Mission's operations, the agreement still has not been signed. The absence of the SOMA and other Memorandums of Understanding (MOUs) has financial and operational implications for the Mission concerning freight-forwarding, medical support, air operations, taxes and fees, security and provision of facilities by the Nepalese Government. For example, in May 2007, the Mission paid $11,600 for value-added tax, which would not have been paid if the SOMA was signed. The non-finalization of the SOMA also led to delays on the part of the Government of Nepal in providing office facilities to the regional administrative offices of UNMIN. In addition,

UNMIN has to obtain a formal authorization for each air and freight forwarding operation in Nepal, which is a time-consuming process adversely affecting the operational capacity of the Mission.

34.   The audit also noted that, as of 1 July 2007, the Mandate Implementation Plan, the Mission Support Plan and Standard Operating Procedures were not finalized. In addition, there was no business continuity plan in place exposing the Mission to the risk of undue delays in continuation of operations should a major interruption or a natural disaster occur. According to UNMIN management, the lack of staffing resources affected the planning process and timely issuance of SOPs and other plans.

Recommendation 7

(7)   UNMIN should: (i) seek higher level intervention to expedite the signing of the Status-of-Mission Agreement and other Memorandums of Understanding with the Government of Nepal; and (ii) take urgent measures to finalize the integrated Mandate Implementation Plan, as well as individual operational plans and Standard Operating Procedures for each operational function of the Mission.

35.   *UNMIN and DFS accepted recommendation 7. DFS stated that the prompt signing of the Status-of-Mission Agreement (SOMA) and other Memorandums of Understanding with the Government of Nepal was not within the control of the Mission. DFS and UNMIN further stated that, nevertheless, high-level intervention had been engaged and would continue to be used until the matters are satisfactorily resolved.*

36.   *DFS also commented that, considering the timing and uncertainty about the renewal of UNMIN's mandate, the work on an integrated Mandate Implementation Plan was being handled firstly through the finalization of a liquidation plan and secondly through pre-planning for possible mandate extension. SOPs were also being developed for routine functions and for contingencies as relevant.* Recommendation 7 remains open pending the finalization of the SOMA and other MOUs with Nepalese government.

Start-up mechanism for short-term political missions

37.   Although the timelines set for the election of the Constituent Assembly and the deployment of UNMIN personnel were extremely tight, the Mission had made progress in some areas of operations even though it was experiencing serious difficulties in timely staffing and logistical support.

38.   The Mission has to comply with the UN financial regulations and rules, as well as existing DPKO/DFS manuals. Some of these rules are intended for large operations and may not be fully applicable in the case of smaller political missions with challenging mandates. As UNMIN was projected to have a short life span, a normal approach in recruitment and deployment of logistical support

used for large peacekeeping operations with long-term mandates was a difficult undertaking for the Mission.

39.   Thus, the arms monitoring operations were successfully launched only after arduous efforts to cope with the logistics and recruitment problems in the first three months of the mission. The deployment of arms monitors was delayed due to the lack of equipment and supplies; there were cases where the arms monitors had to wait for up to three weeks to receive MSA. Although some exceptional procedures for UNMIN recruitment have been established on a temporary basis, the Mission was unable to provide adequate and timely logistical support to its substantive operations, using the standard approach in starting up peacekeeping missions. The arms monitoring function became operational in February 2007 mainly due to the logistical and resources support from Norway, the UK, Denmark, and India, and the assistance provided by the UN Country Team in Nepal.

40.   In OIOS' opinion, there is a need to review the current practice of establishing and starting-up short-term political missions, taking into consideration:
- the complexity and a multi-task nature of their mandates;
- high political sensitivity of operations;
- the impact of delayed action or non-achieving goals, which may curtail even successfully achieved results;
- high reputation risk for the Organization; and
- need for an immediate logistics support due to the short duration of the mandate.

41.   There is also a need to review the possibility of using the member states' logistical support or logistics capacities of existing military alliances for the deployment of short-term missions at the start-up phase with these functions being taken over by the Organization one to two months after the start of operations. This option can be assessed on a case by case basis considering the urgency of operations and reputation risk of the Organization's possible failure to achieve the mandate goals.

Recommendations 8 and 9

(8)   DPA and DFS should review the current practice of establishing field missions with a view of developing specific mechanisms for starting up short-term political missions which pose high reputation risks for the Organization.

(9)   DFS should review the possibility of using the member states' and other donor organizations' logistical support capacity at the very beginning of short-term missions with subsequent take-over of these functions by the Organization one to two months after the start of operations.

42.   *DPA accepted recommendation 8 and stated that UNMIN's Best Practice Officer had conducted an after-action review (AAR) with*

recommendations for more effective recruitment of international staff particularly for short-term political missions. They further stated that a recent workshop with participation from UNMIN and DPA had allowed lessons learned from UNMIN's start up to feed into future mission plans.

43.   *DFS also accepted recommendation 8 and stated that they had taken appropriate action at the organization level to address this challenge by working towards the establishment of a cadre of 2,500 civilian career peacekeepers with expertise in key occupational groups. The conditions of service of the 2,500 career civilian staff would include the obligation to deploy on short notice to meet rapid deployment requirements for start-up and short-term missions. DFS further stated that the Secretary-General has sought the approval to establish the framework of the 2,500 cadre of civilian career peacekeepers in his report (A/61/850) submitted to the General Assembly on 11 April 2007.* Based on responses from DPA and DFS, OIOS has closed recommendation 8.

44.   *DFS did not accept recommendation 9 and stated that although they concurred with the concept of the recommendation, they disagreed with the inference that the United Nations was not taking advantage of member states and other donor organizations' logistical support capacity in either short-term or long-term missions. DFS pointed out that logistics support resources from India, Denmark, Norway and United Kingdom were effectively engaged in UNMIN's start-up. Furthermore resources from France, Spain and other European Union members are being sought for the rapid start of MINURCAT and member states' resources are being effectively contracted for the UNAMID start-up.*

45.   OIOS acknowledges that indeed DFS is already using support from member states and other donors. However, in OIOS' opinion, there is a need to institutionalize and document policies and procedures on the logistical support practices, including, as appropriate, formal agreements between the United Nations and the donors. OIOS reiterates recommendation 9 and will keep it open pending the institutionalization and issuance of policies concerning member states and other donors' support for the start-up missions.

B. Internal controls in administrative and logistical support areas

Budget and Finance

Verification of expenditures

46.   In the first three months of the Mission's operations, the UNDP country office in Nepal was granted the pre-commitment authority to make expenditures on behalf of UNMIN. UNDP procured goods and services based on requisitions authorized by UNMIN. The expenditures incurred on behalf of UNMIN were reported through UNDP Headquarters to the Accounts Division of the Office of Programme Planning, Budget and Accounts (OPPBA), DM and to DFS. OIOS noted, however, that the expenditure reports were not timely furnished to UNMIN. In OIOS' opinion, the practice of UNDP's direct reporting to United

Nations Headquarters does not enable timely monitoring of expenditures and may lead to delays in reconciling and following-up discrepancies in the records.

47.   In addition, in the beginning of UNMIN operations, there was improper control over requisitions submitted by various sections of the Mission to UNDP. Although all requisitions reviewed by OIOS had been duly approved, there was no focal point in the Mission to centrally track all requisitions to actual purchases for ease of reconciling the expenditures reported by UNDP. Some items delivered by vendors were difficult to identify due to incomplete data on requisitions issued to UNDP.

48.   OIOS was informed by OPPBA that new procedures on reporting and verification of expenditures were implemented by UNDP effective July 2007. According to the new procedures, UNDP will submit the monthly Service Clearance Account (SCA) reports within 5 working days of the following month to all entities, on whose behalf the expenditures had been made by UNDP, requiring them to review the reported expenditures and formally communicate the rejects, if any, to UNDP within 31 days from receipt of the monthly SCA reports. In OIOS' opinion, there is a need for OPPBA to review the current practice of reporting expenditures by UNDP to ensure that the new procedures are effective, and facilitate the reporting and monitoring processes.

Recommendations 10 and 11

(10)   UNMIN should ensure that all expenditures made on behalf of UNMIN and reported by UNDP were properly approved and in accordance with requisitions authorized by the Mission.

(11)   DM, in cooperation with DFS, should review the current procedures for reporting expenditures made on behalf of field missions by UNDP to ensure that: (i) reporting is done in a timely manner; and (ii) field missions are provided with timely reports on expenditures made on their behalf by UNDP.

49.   *UNMIN accepted recommendation 10 and stated that UNDP had provided details of all unpaid invoices and that all outstanding invoices were being processed through the Local Committee on Contracts (LCC) on an ex-post facto basis. UNMIN further stated that invoices issued prior to 1 April 2007 were being reviewed by the Accounts Unit to ascertain whether the vendor had already been paid using the transaction detail and pending purchase orders raised by UNDP to ensure that there were no double payments. DM also commented that expenditures incurred by UNDP were reported to UN HQs as part of the monthly UNDP Service Clearing Account reports, which were reviewed by the Technical Cooperation Unit of the Accounts Division.* Recommendation 10 will remain open pending UNMIN's confirmation that all invoices have been reviewed and that there were no double payments.

50.   *DM accepted recommendation 11 commenting that new procedures had been introduced to record or reject charges reported by UNDP on a timely basis, therefore, the first part of the recommendation should be closed. As concerns the*

second part of the recommendation on the timely provision of expenditure reports to the field, in DM's opinion, it should be undertaken by the Field Budget and Finance Division of DFS. DM stated that it had requested DFS to review the matter accordingly. Based on the response, OIOS has closed recommendation 11. OIOS will verify the level of implementation of this recommendation during a follow-up audit.

Budget and allotment formats for field missions.

51.   Although UNMIN's budget was prepared in the peacekeeping format for presenting to the legislative bodies, the allotments were issued using the regular budget codes, as required for regular budget missions. OIOS noted the differences in the budget and allotment formats for special political missions that lead to confusion and errors. The problem is exacerbated by the fact that most of field staff were used to the peacekeeping budget and allotment format. Notably, UNMIN management had to issue several memorandums to clarify the budget process.   This extra effort and additional workload for converting expenditure codes and making necessary adjustments, in the opinion of OIOS, leads to inefficiencies and could be greatly reduced if the budgets and allotments for both political and peacekeeping missions were presented in one format using the same expenditure codes.

52.   OIOS acknowledges DFS' efforts to assist in developing a template that translates the budget amounts codes of the allotment advice into the corresponding IMIS object codes for monitoring and tracking the budgeted amounts.

Recommendation 12

(12)   DM, in coordination with DPA, DPKO and DFS, should review the possibility of using a single format in presenting the budget to legislative bodies and in issuing allotments for both political and peacekeeping missions.

53.   *DM did not accept recommendation 12 commenting that, in line with the ACABQ's recommendation, the RBB frameworks and resource requirements of the budgets of SPMs are presented in the same format and budget structure as peacekeeping operations. As SPMs are funded from the regular budget, the accounts and allotment structure have to follow the format of the regular budget, which is on a biennial basis. DM further stated that the recommendation would entail systematic changes to the budget information system (BIS) requiring major investment of resources to realign the system with the annual budget. In DM's opinion, as the United Nations Secretariat is in the process of implementing the IT strategy of a unified ERP system, any parallel investment to improve or change existing systems at this stage may be inefficient and ineffective.* Based on DM's response, OIOS has closed recommendation 12 without implementation. OIOS will re-examine the issue during future audits of budget and finance management in conjunction with development of the IT strategy for a unified ERP system for the Organization.

Budget monitoring

54.   During the review of UNMIN's budget controls, OIOS noted that the Mission had not received complete data on the expenditures incurred in the field since the start of the Mission. At the time of the audit, the Budget Unit of the Finance Section prepared a report for a two-moth period only (April-May 2007); however, the pre-commitment authority expenditures had not been included. Although the expenditures made by UNDP on behalf of UNMIN were reported to Headquarters, the Mission should have been provided with complete data on these expenditures for proper budget monitoring.

55.   OIOS also found that some categories of expenses had not been budgeted. According to UNMIN, financing for official hospitality, travel for training and bank charges was overlooked in preparing UNMIN's budget for 2007, and the requirements for these expenses will be financed through redeployments from savings in other expenditure categories.

56.   OIOS further observed that UNMIN did not use the Funds Monitoring Tool (FMT) system, which is utilized in the peacekeeping missions. FMT is an automated web-based system, which accumulates data from IMIS, Mercury, and the SunSystem into a centralized data-warehouse. FMT can produce reports, enable forecasting, and deliver near-real time numeric and graphical representations of the fiscal details of all peacekeeping funds. It facilitates budget monitoring and controls over financial and procurement operations. OIOS, however, noted that FMT was not designed for regular budget missions. Thus, UNMIN and other political missions are not equipped with this automated tool. In OIOS' opinion, the use of FMT could improve the monitoring process over budget and other operations in political missions.

Recommendation 13

(13)   DM, in cooperation with DFS, should explore the possibility to provide regular budget missions with a data analysis and extraction tool such as the Funds Monitoring Tool (FMT) system to improve budget monitoring and other operational controls.

57.   *The Department of Management commented that recommendation 13 could not be accepted since the proposal would require major conceptual changes to the Funds Monitoring Tool. It further stated that in view of the implementation of a unified ERP system, any investments at this stage would not be prudent. Nevertheless, DM would work with DFS to explore the feasibility of integrating the requirements of regular budget in the FMT.* OIOS would like to clarify that it recommended that DM provide the regular budget missions with an automated data analyses and extraction tool, not specifically FMT, although OIOS still believes that FMT can be adapted for the use by special political missions. OIOS reiterates recommendation 13 and will keep it open pending the results of DM and DFS efforts to provide SPMs with an automated tool for budget monitoring and other related controls.

Cash management

58.   The UNMIN Finance Section is vested with the responsibility of care and custody of the physical cash holdings of the Mission. Some of these responsibilities have been delegated to other UNMIN sections holding cash balances (up to $2,500). The custodians were provided with instructions on handling the cash funds.

59.   OIOS conducted cash counts in UNMIN Headquarters and at the regional administrative office in Pokhara and observed cases of non-compliance with the guidelines and instructions on petty cash funds issued by the Chief Administrative Officer (CAO) on 30 April 2007. No surprise cash counts of the petty cash held were carried out by the Finance Section. Cases were noted where the limits established in the instructions had been exceeded, some of which were explained as necessitated by exigency of service requiring the use of cash beyond authorized limits. The observed variances, even though not material, were indicative of the lack of controls in handling imprest funds. In addition, it was noted that there were no procedures in place for handing keys to the safes holding petty cash.

60.   The Mission took corrective action on some issues raised by the audit during the review of finance operations, such as timely depositing cash receipts and stamping supporting documentation with "PAID" once payments had been processed, to avoid the risk of double payment.

Recommendation 14

(14)   UNMIN management should ensure proper internal controls over cash management by conducting periodic petty cash counts and establishing procedures for handling keys to the safes.

61.   *UNMIN accepted recommendation 14 stating that it had been implemented. Effective 20 July 2007, the Finance Section had started conducting surprise petty cash counts at both UNMIN Headquarters and regional locations. As well, the Finance Section trained all petty cash custodians on petty cash procedures and internal controls applicable to petty cash management, handling of Safe keys and combination codes. Duplicate keys and combination have been subsequently lodged with the Chief Administrative Officer and with the Security staff in the Regional Centers.* Based on UNMIN's response, recommendation 14 has been closed.

Human resource management

62.   UNMIN's approved budget for the period January-December 2007 was $88.8 million and included the deployment of 1,089 authorized staff. According to the Personnel Section, the vacancy rates, as of 1 July 2007, were 56 per cent for international and 57 per cent for National staff. Delays in recruitment were attributable to a host of factors including delays at Headquarters in providing the staffing authorization, assigning index numbers and processing medical clearance

as well as delays caused by program managers who failed to short list technically qualified candidates.

63.   The audit noted that DFS and the UNMIN Personnel Section were actively engaged to achieve reductions in the vacancy rates by arranging regular teleconferences and weekly reporting on vacancies. However, UNMIN did not set benchmarks or performance indicators with measurable targets for filling the vacant posts. Delays in recruitment led to operational problems; for instance, administrative functions at the UNMIN regional offices were ineffectively carried out due to the lack of leadership, as the heads of all Regional Administrative Offices had not been recruited. OIOS also noted that the practice of deploying a dedicated "Tiger Team" from Headquarters to facilitate managers in recruiting key staff had not been applied in case of UNMIN. UNMIN managers expressed concerns that the recruitment procedures took too much of their efforts at the most critical time of the Mission start-up adversely affecting proper establishment of operational processes and related controls.

64.   OIOS also noted that the Human Resources Action Plans (HRAP) for the field missions were still under development by DFS, in consultation with OHRM. In OIOS' opinion, these plans should be tailored to include specific policies and procedures for start-up missions and missions with short duration mandates, where timely recruitment of key staff is critical for successful mandate implementation.

65.   Although Headquarters authorized some exceptional recruitment procedures for UNMIN such as, for example, the selection of candidates up to the P-3 level based on the review of CVs without interviewing all candidates from the short list, the recruitment process was slow, and the Mission's human resources needs in the first five months of operations were primarily met by the use of staff on temporary duty (TDY) from other missions. However, in some administrative/logistics functions, the temporary use of staff on TDY was ineffective due to the lack of business continuity, as staff on TDY were not replaced promptly or there was no handover process when new managers came on board.

Recommendations 15 and 16

(15)   DFS, in coordination with DM, DPKO and DPA, should develop special policies and procedures for short-term missions and establish the practice of using "Tiger Teams" to be deployed at the onset of each start-up mission to assist the field managers in the recruitment process.

(16)   DFS and UMMIN should ensure the timely replacement of staff on temporary duty from other missions to provide for business continuity and proper handover of operational functions.

66.   *DFS accepted recommendation 15 and stated that the Tiger Team concept had already been rationalized and adopted as a normal course of action during mission start-up. DFS demonstrated this by stating that they were already*

delegating recruitment responsibility and authority to the start-up missions UNAMID and MINURCAT using Tiger Teams to expedite the staff selection process. DFS further said that although a Tiger team was not deployed to UNMIN, the required level of support to the recruitment process was provided by the Field Personnel Division of DFS to UNMIN in a broad range of recruitment activities such as contacting candidates, conducting preliminary interviews in consultation with relevant substantive focal points at Headquarters and making offers to candidates recommended for selection by UNMIN. Based on DFS' response, OIOS has closed recommendation 15.

67.   *DFS and UNMIN did not accept recommendation 16 and stated that until March 2007 when UNMIN's budget was approved, functions in the administrative component of the Mission were filled by staff on temporary duty assignment (TDY). They further stated that following the approval of the budget, some of the staff on TDY, especially Chiefs of Sections remained in the mission to assist in the selection and handover process and that the management of staff on TDY was closely monitored to ensure that staff on TDY were phased out as quickly as posts were filled through competitive selection. As at 26 October 2007, it was noted that only one staff member was on TDY in UNMIN.*

68.   OIOS acknowledges DFS and UNMIN's monitoring of the staff on TDY via the weekly reports to ensure there were no undue extensions of TDY. However, OIOS wishes to point out that the issue in question was a lack of continuity in some functions previously carried out by staff on TDY, when such staff left the mission without being promptly replaced. In the Property Management Section, for instance, staff on TDY left and no immediate replacements were appointed. As a result, two United Nations Volunteers (UNVs) performed the functions unsupervised for a period of two months. In OIOS' opinion, there is a need for smooth transition from services performed by staff on TDY to staff selected to fill up the mission posts to ensure proper handover of functions. Recommendation 16 will remain open pending an appropriate response from DFS on measures taken to ensure the continuity of functions when staff on TDY are used to fill posts on a temporary basis.

Procurement without purchase orders and contracts

69.   Only designated procurement officers are authorized to make solicitations and contact prospective vendors. Purchase orders or other contractual documents that serve to protect the Organization's interests should be raised to implement procurement actions. The audit identified several procurement cases where goods and services had been received by the Mission without purchase orders or other contractual documents. The absence of formal contracts exposes UNMIN to the risk of financial losses, as there is no formal liability established concerning the price and quality of products delivered, timeliness of delivery, and other legal issues related to the services provided by vendors. Also, cases were noted where the requisitioners had directly communicated with the prospective vendors contrary to the requirements of the Procurement manual.

70.   On 15 January 2007, a duly authorized requisition voucher had been sent to the UNDP office in Nepal to procure Broadband Global Area Networks (BGAN) equipment on behalf of UNMIN. However, before the UNDP office could go through the normal procurement process, an UNMIN requisitioner contacted the vendor, I 4 Technologies, and instructed them to deliver the equipment valued at $8,400 directly to UNMIN. Subsequently, UNMIN continued receiving BGAN equipment and related services from the same vendor. At the time of the audit, goods and services valued at $85,000 had been provided by the vendor without purchase orders. The case had been brought to the attention of the Local Committee on Contracts (LCC) on a post facto basis (on 29 June 2007) requesting the authorization for future procurement of BGAN goods and services from I 4 Technology.

71.   In another case, procurement and delivery of jet fuel valued at $ 530,552 from Nepal Oil Corporation had been made since February 2007 without purchase orders or a valid contract, thereby exposing UNMIN to the risk of financial losses. While some efforts had been made by UNMIN to arrange a fuel contract, the case was brought to the attention of the LCC for retroactive approval only in July 2007. The approval for the procurement of additional fuel valued at $988,000 from the same vendor was also requested.

72.   OIOS further found that the Finance Section received invoices for a total amount of $3,000 from a vendor, World Distribution Ltd, indicating that the firm had delivered computers presumably ordered by UNMIN. However, the Mission had neither records nor documentary evidence of procurement or receipt of the computers from the vendor.

73.   In the opinion of OIOS, Mission Management should hold accountable the officials who directly communicated with the vendors and bypassed the procurement process. The above cases of procurement and delivery of goods and services should be investigated by UNMIN with a view of (i) determining the responsibilities for improper procurement action taken; (ii) reviewing the procurement cases and taking corrective action; and (ii) establishing proper contractual arrangements with the vendors.

Recommendations 17 and 18

(17)   UNMIN should conduct a thorough investigation of the procurement cases with no formal contractual arrangements and where the requisitioners directly communicated with the vendors, and establish the accountability for the officials responsible.

(18)   UNMIN management should develop controls ensuring that: (i) no procurement is made without purchase orders or formal contracts/agreements; and (ii) requisitioners do not communicate directly with potential vendors.

74.   *UNMIN accepted recommendation 17 and stated that the details of the ex post facto cases and the written statements from individuals involved accounting for the full facts and chronology of events had been presented to the*

LCC for review and the cases that had been so far reviewed had not indicated any disregard of rules. The review of all such cases was expected to be completed by November 2007. Recommendation 17 will remain open pending the completion of the review of all cases submitted to the LCC on an ex-post facto basis and will be closed upon receipt of a summary of LCC's review.

75.   UNMIN accepted recommendation 18 and stated that part (i) of the recommendation had been implemented as following the issuance of the procurement authority to the Mission in April 2007; the Mercury system was implemented in the Mission in May 2007. This system enabled the procurement practices of the Mission to be in accordance with the established procurement procedures, particularly to ensure that procurement is based on purchase orders or formal contracts/agreements.

76.   On direct communication with potential vendors, UNMIN stated that it should be noted that under the guidelines and within the threshold of petty cash and direct expenditure (i.e. under $2,500); direct contact by requisitioners with potential vendors was allowed and unavoidable. UNMIN further stated that outside these thresholds, UNMIN regularly reminded its requisitioners to avoid direct contact with vendors. Following the audit, the Mission has issued an Information Instruction to staff members stressing the importance of strict compliance with established procurement procedures particularly those relating to dealing with potential vendors. Based on UNMIN's response, OIOS has closed recommendation 18.

Asset management

77.   Proper asset management provides for establishing control mechanisms to ensure that assets are accurately recorded, securely stored and effectively monitored when issued to users. According to the monthly inventory report compiled electronically from the Galileo Inventory Management System, as of 1 June 2007, UNMIN had non-expendable assets valued at $7.7 million at Headquarters in Kathmandu and its regional administrative offices.

78.   According to Chapter 5 of the Property Management Manual for UN peacekeeping missions and missions administered by DPKO/DFS, "property must be strictly controlled and accounted for on a regular basis... [and] ... complete and accurate records shall be kept in respect of all supplies and equipment received, in stock, issued, pending disposal, sold or otherwise disposed of. OIOS found, however, that UNMIN's property controls were deficient.

79.   OIOS observed that UNMIN used Rubb Halls and containers for storage of assets at Headquarters in Kathmandu and in its regional administrative offices. However, the storage facilities were not properly secured from theft and loss of the assets. OIOS observed a container which was left with the doors open overnight. Some of containers with assets had no locks, as shown in Figure 2. There were also no procedures on handling keys to the storage facilities.

Figure 2 – Absence of locks on containers with UN assets

80.   The audit also noted that no shelving was installed in Rubb Halls, and that assignment of storage bins and labeling of items stored had not been done. In addition, property items were stored in Rubb Halls and most of the containers in a disorderly manner. Some items, which had been received and inspected, were kept together with items still subject to the Receiving and Inspection (R&I) process. As a result, the process of locating and physically inspecting items, as well as reconciling items with the Galileo system records, was difficult and inefficient adding to the high risk of loss and theft.

81.   A random inventory check revealed that the property records in the Galileo system were unreliable and did not match the actual quantity of assets held in warehouses and/or issued to the users. Excesses and shortages of assets, including attractive items, were noted. For example, OIOS could not trace three binoculars valued at $72 each and three first aid kits having a total value of $2,396, while eight digital cameras issued to the users had not been recorded in the system. According to UNMIN, these variances were mainly attributed to the lack of staff and supervision due to the delayed recruitment of the Chief of the Property Management Section. Notably, in the R&I Unit, two United Nations Volunteers (UNVs) worked unsupervised for a period of more than two months.

Recommendations 19 and 20

(19)   UNMIN should establish property controls in strict compliance with the Property Management Manual for United Nations peacekeeping missions and missions administered by DPKO/DFS to ensure physical security of storage facilities, proper storage and identification of assets stored and issued to the users at UNMIN Headquarters and in the field.

(20)   UNMIN should conduct a physical inventory of all assets in the Mission and ensure that the property records in the Galileo

system are accurate and reconcile with the assets stored and issued to the users.

82.   *UNMIN accepted recommendation 19 and stated that the Property Management Section routinely informs and reminds Self Accounting Units of their obligations regarding accounting, storage and disposal of assets. In addition, Standard Operating Procedures (SOPS) have been drafted by the Property Management Section and are expected to be circulated by November 2007.* Recommendation 19 will remain open pending the issuance on of the SOPs regarding the accounting, storage and disposal assets.

83.   *UNMIN accepted recommendation 20 and stated that Property Control and Inventory Unit was conducting a 100 per cent physical inspection of all assets within the Mission area. As of 18 October 2007, about 69 per cent of the physical verification had been completed with the view that remaining verification will be completed by December 2007.* Recommendation 20 will remain open pending the completion of the physical verification of all assets in the mission.

Segregation of duties

84.   Segregation of duties is a control principle requiring that a single person should not be responsible for diverse and critical functions in such a way that errors or misappropriations could occur and not be detected in a timely manner in the normal course of business processes. OIOS observed some incompatible functions which were being supervised by the same official. The Property Control and Inspection Unit (PCIU) which has an oversight role over property controls and the Receiving and Inspection (R&I) Unit were both part of the Property Management Section and directly reported to the Chief of Section. OIOS is of the view that PCIU, as an oversight unit should not directly report to the Chief of the Property Management Section, who is responsible for the asset management.

Recommendation 21

UNMIN should amend the organization structure of the Property Management Section to ensure proper segregation of duties discharged by the Property Control and Inspection Unit and the Receiving and Inspection Unit.

85.   *UNMIN did not accept the recommendation and stated that the Property Management Section concept was created to improve the effectiveness and efficiency of the property management cycle, and the responsibilities incumbent on the DOA/CAO in the delegation of authority. The implementation of appropriate system access, authorization and permission levels so that no one individual can compromise the integrity of these functions, provides effective and adequate control. According to UNMIN, neither the operation of effective internal checks at Receiving and Inspection Unit nor at Property Control and Inventory Unit were compromised by their reporting to the same Chief of*

Section. The defined roles in Galileo and IMS exist so that the Chief of Section can not override the established business process.

86.   *UNMIN further stated that distinction needs to be maintained between the role of R&I Unit and PCIU as oversight bodies at different stages of the property management cycle and the SAU's actually involved in asset management. Receiving and inspection Unit is primarily responsible for identifying items, initiating them into the records of the Organization and then assigning them to the SAU's. PCIU effectively reports on whether SAU's are upholding their asset husbandry responsibilities. UNMIN concluded that the current organization of PCIU and R&I does not compromise the effective operation of internal control at UNMIN.*

87.   While OIOS acknowledges UNMIN's response to recommendation 21, it believes that the segregation of the R&I and PCIU functions would improve internal controls. In accordance with the International Standards for the Professional Practices of Internal Auditing, senior management may decide to assume the risk of not correcting the reported condition because of cost or other considerations. In this regard, OIOS has closed recommendation 21 noting that the risk and potential consequences related to the non-implementation of this recommendation rest with the UNMIN management.

<u>Access control to ICT systems and IT training</u>

88.   Access rights to Information and Communication Technology systems should be granted on a need to have basis, and with adequate segregation of duties. At the time of the audit, however, the function of assigning user access rights to all modules of the accounting system, the SunSystem, was performed by a staff member from the Finance Section who was the designated as a system administrator with full access rights to the accounting system. In the opinion of OIOS, the administrator's function should be performed by a staff member without production expertise in the accounting IT system he/she administers.

89.   According to the Communication and Information Technology Section (CITS), due to the shortage of staff, the section was not able to concentrate on strategic functions, as its staff were actively involved in the day-to-day maintenance of IT systems. Establishment and promulgation of ICT standards, identification of IT security threats and vulnerabilities, administrative support and advice, and provision of solutions were given little attention. As well, periodic reviews of access rights to IT systems were not done, and the log of access rights was not properly maintained.

90.   In addition, CITS conducted no ICT training on the systems in use and information technology security. Chiefs of operational sections cited their preference to have staff in their sections trained to operate ICT systems in use, especially the Mercury and the Galileo systems, which the Procurement and the Property Management Sections were highly dependent on in their daily operations. The Procurement Section also indicated the need for a training module of the Mercury system to be availed for training local staff who had no prior experience with the in-house developed procurement system. OIOS noted

that although the training module was used in other field missions, UNMIN was not provided with it.

Recommendations 22 to 24

(22) **UNMIN should improve access controls to IT systems, especially to the SunSystem and Galileo, by maintaining a detailed log of users with their categories of access rights to the IT systems and the period granted.**

(23) **UNMIN should ensure that CITS performs strategic functions and provides adequate technical support and training for all IT systems used by the Mission.**

(24) **DFS should ensure that all field missions using the Mercury system are provided with the training module for this IT system to enable local staff to quickly learn how to operate it.**

91.   *UNMIN accepted recommendation 22 and stated that the mission established an all-inclusive access control list in August 2007 which was implemented starting with the latest upgraded file server. The SunSystem and the Chase Insight servers have a complete access control list, being updated by the Administrator as and when necessary. UNMIN further stated that the Property Management Section worked closely with CITS to remove all unnecessary users to maintain the integrity of the Galileo system and requests for access are channeled through the Property Management Unit, and the decision on who was granted access rights was taken based on the function of a staff member. UNMIN also stated that access rights were granted until the staff member left the Mission but, in cases of a time-restricted access, the user's account was set to expire automatically on the Active Directory Service (ADS) at the date of staff member's departure, or end of contract.*

92.   *Furthermore, according to UNMIN, the Mission implemented a comprehensive solution to control access to IT systems mission-wide on 10 October 2007 through the installation of a Firewall at every external connection within the Mission. The solution has a centrally located management console, covering: Access control and user management; Intrusion detection and blocking; System and data protection; Malicious code protection; Network security and zoning; Data transmission and log storage; Reporting, monitoring and evaluating IT controls; and risk and policy management.* Based on UNMIN's response, recommendation 22 has been closed.

93.   *UNMIN accepted recommendation 23 and stated that with the arrival of Chief, CITS in May 2007 the management functions of CITS had consistently improved and CITS was performing strategic functions in accordance with the Mission's Support Plan. A dedicated group in each region (Information Technology and Communications) committed to technical support in the Mission had been identified and CITS had completed training for its relevant staff at UNLB, Brindisi in :- Standardization of UN networks; ADS; Windows 2003 Managing branch offices; Windows 2003 Server Systems; and Stonesoft FW*

training and certification in Kathmandu as well as training of relevant staff in Galileo; Business Objects in Kathmandu; and budget training in the Dominican Republic. Based on UNMIN's response, recommendation 23 has been closed.

94. *DFS accepted recommendation 24 and stated that it provided training on the Mercury system to field missions as and when required. In addition, an annual seminar was conducted for mission focal points on changes or enhancements to the system. Notwithstanding, the Mercury system was implemented in the Mission with users who were already familiar with the application. However, through the initiative of the Property Management Section, training was held with an instructor from the United Nations Logistics Base, Brindisi for two weeks ending 11 October 2007. The Mercury system training was provided in addition to training on the Galileo system.* Based on DFS' response, recommendation 24 has been closed.

Fuel consumption control

95. The Transport Section is responsible for the management and accounting for the fuel consumed by the Mission's vehicles. OIOS noted that the fuel consumption control was not automated, as Carlogs systems had not been installed in the vehicles. Although the funds for this purpose were included in the budget, vehicles were not procured in a timely manner and it was deemed inefficient to install the Carlogs system on a piece meal basis.

96. Several weaknesses were noted in controls over fuel consumption. Although the fuel coupon stubs were retained by the Chief of Transport Section when the coupons were issued to the drivers, the drivers were not required to evidence receipt of these coupons and there was no system in place to ensure that all fuel coupons issued were accounted for. Although several reports were prepared on a monthly basis, including individual vehicle consumption reports, a review of these revealed variances with the summaries. Furthermore, month to month comparisons of the fuel consumptions which would identify unusual trends in consumption were not being done. As well, the reports on fuel consumption were not being issued to management.

Recommendation 25

> **UNMIN management should enhance the controls over fuel consumption by: (i) ensuring that all fuel coupons issued are accounted for; (ii) performing month to month comparisons of fuel consumption for each vehicle; and (iii) having the drivers sign for fuel coupons issued to them.**

97. *UNMIN accepted recommendation 25 and stated that it had been implemented. The Fuel Unit has introduced the necessary control measures over the fuel vouchers and fuel consumption as monitoring of the fuel vouchers was being done through a register and drivers were required to sign a register to collect their fuel vouchers. This register records among other details the vehicle number, odometer and the drivers ID number and Section. Furthermore, variations in fuel consumption patterns were being monitored, and monthly*

reports were being generated to facilitate timely review for action to be taken as appropriate. Based on UNMIN's response, recommendation 25 has been closed.

MOVCON controls

98.   Section 3.2.18 of the Aviation Manual dated May 2005 states that MOVCON: (i) is responsible for planning and coordinating the passenger and cargo transportation; (ii) should perform check-in of UN-flights; and (iii) is responsible for the planning and coordination of handling dangerous goods.

99.   OIOS found that there was no system in place to check UN flights passengers and cargo for dangerous goods even though UNMIN had received two security X-ray machines from Strategic Deployment Stocks valued at $70,000 which were not in use.

100.   OIOS also noted that some passenger manifests did not include all passengers. There were also cases of allowing arms observers to use the UN flights without their inclusion in the manifests, which may lead to excessive numbers of passengers thus creating an air safety risk.

Recommendation 26

UNMIN should ensure that MOVCON takes immediate responsibility for checking passengers and cargo for dangerous goods, and ensures that only passengers included in the passenger manifest are allowed to board UN aircraft.

101.   *UNMIN accepted recommendation 26 and stated that the implementation of this recommendation was in progress. With the approval of the Nepal Airport Authorities, UNMIN MOVCON began using the existing airport security X-ray machines to process passengers, luggage and cargo from August 2007. This arrangement will continue until UNMIN's passenger counter is constructed at the Airport by 31 November 2007. The passengers will continue to be processed and manifested at Mission Headquarters before being transported to the airport for consequent security checks and dedicated UNMIN passenger boarding. According to the established procedures, it is only manifested passengers that are allowed to board the aircraft. Furthermore, all dangerous and hazardous cargo are now properly identified, labelled, manifested, certified and handled in accordance with IATA dangerous goods regulations.* Based on UNMIN's response, OIOS has closed recommendation 26.

Safety, security, environmental and health controls

102.   UNMIN operates under the security administration of the Department of Security Services led by United Nations Development Program (UNDP). Although overall security in Nepal has improved since the end of the conflict in May 2006, public security has been a matter of concern throughout much of the country, as the deterioration of law-and-order was noted in many areas.

103.   There were several general strikes, and restrictions of activities and movement during certain periods called by various political movements. Although these groups had stated that the United Nations had free passage during such strikes, some of these demonstrations posed a challenge to the free movement of staff.

104.   The warden system was not operational, as wardens had not been identified. As well, some staff residences were not Minimum Operating Residential Security Standards (MORSS) compliant even though districts of Nepal had been categorized as either security phase II or III as shown in Figure 1. UNMIN management partly attributed the lack of an operational warden system to the thin staffing levels for most parts of the Mission; and the non-compliance of MORSS requirements to the frequent moves of staff without requesting for security surveys.

105.   The Security Section did not have access to the database system showing the completion of mandatory security training needed to go outside Kathmandu. As well, the Integrated Security Clearance and Tracking system had not been established and therefore the security clearance process was manual.   The Security Section also lacked equipment such as vehicles and communications equipment necessary to carry out their tasks efficiently.

106.   Staff members were required to take and complete the online security training course and were provided with written documentation of security risks existing in Nepal.   However, there had not been any rehearsals of the Security plan in the event of a major security threat or an earthquake, the risk of which was high in Kathmandu and other regions of Nepal.   OIOS found that although the Security Section was cognizant of this risk and promulgated literature on the earthquake threat, there were no plans in place to deal with an earthquake eventuality.

107.   The UN Security Orientation for Nepal issued as of 6 April 2007 indicated that the risk for cholera was close to zero and the immunization against this disease was not recommended.   However, according to the local media (The Kathmandu Post of 30 June 2007) with a reference to the report by the National Public Health laboratory to Epidemiology and Disease Control Division, six out of 19 cholera cases and five deaths due to diarrhea in Kathmandu Valley were confirmed on 28 June 2007.   Also, over 400 people were reported to be suffering from diarrhea in the district of Rautahat (about one hundred km from Kathmandu). UNMIN management was not aware of these reported cases.

108.   The United Nations places the highest premium on the safety and security of its personnel. In 2005-2006, there were 72 fatalities spread over five peacekeeping operations, 75 per cent of which occurred due to illnesses and accidents. Missions should have in place safety and security guidelines and identify suitable hospitals and health facilities to deal with illnesses and accident risks including aviation related accidents.

109.   The medical evacuation and casualty evacuation contracts between UNMIN and the Nepal Government were drafted and submitted to the Chief

Administration Officer for approval but at the time of the audit, the contracts had not been finalized. In addition, there were no formal contracts between the Mission and Level 3 hospitals in Kathmandu, Level 2 hospitals in the regions and Level 4 hospitals in Bangkok and New Delhi for medical evacuation cases.

Recommendations 27 to 29

(27) UNMIN should designate an official to assess on a continuous basis, the security, safety, health and environmental threats and risks in the country and advise management accordingly.

(28) UNMIN should enhance the security function by ensuring that: (i) the security plan is rehearsed; (ii) all Mission personnel have taken mandatory security training; and (iii) adequate equipment and systems are provided to the Security Section to effectively discharge the security function.

(29) UNMIN should expedite the arrangement of contracts with medical providers in Nepal and neighboring countries for emergency medical services and evacuation.

110. *UNMIN accepted recommendation 27 and stated that the recommendation has been implemented as the Chief Security Officer (CSO) arrived in UNMIN in April 2007 and is the official responsible for assessing the security and safety threats assisted by the Safety and Security Section. UNMIN Security officers work closely with the UNMIN Medical Unit and the Environmental Engineer (who arrived in UNMIN in August 2007 and is responsible for assessing water, sanitation and overall environmental risks and recommending appropriate courses of action), in the assessment of water hygiene and sanitation issues.*

111. *UNMIN further stated that the Chief Medical Officer and the Engineering Environmental Officer had visited the regions and cantonment sites on a regular basis to assess the quality of medical care, specific health issues, sanitation and overall environmental risks that may occur given seasonal weather changes and environment. Furthermore, Information Circulars on specific health topics were being issued periodically to remind staff members of preventive and defensive actions to be taken to promote good health. Provisional environmental guidelines and standard operating procedures to be followed by UNMIN staff have been issued, which detail various waste management procedures including hazardous waste handling procedures.* Based on UNMIN's response, recommendation 27 has been closed.

112. *UNMIN accepted recommendation 28 and stated that the country-wide security plan was published in August 2007. The Kathmandu warden system was being upgraded and expected to be finalized in November 2007. Furthermore, the UNMIN security function (investigations officer) assumed the responsibility of providing the security orientation training to all new staff members arriving at the Mission and it was now a standard practice for staff members arriving at the Mission to be provided with the required security training. Additional*

communications devices and vehicles to the Security Section would be provided. Furthermore, equipment and systems installations at all the five security operations centers throughout the country (Dhangadi, Nepalgunj, Pokhara, Kathmandu, Biratnagar) were on-going. Recommendation 28 will remain open pending the commissioning of the warden system and the completion of installation of the security equipment and systems in all security operations centers.

113.   *UNMIN accepted recommendation 29 and stated that they had signed contracts with medical providers within Nepal to provide Level 2 3/4 medical services to its personnel. However, contracts with neighboring countries that can cater for medical services that are not available in Nepal were still pending. The Mission was anticipating commencing contract negotiations with the relevant representatives in India and Thailand in November 2007.* Recommendation 29 will remain open pending the finalization of the contracts with medical providers in India and Thailand.

V. ACKNOWLEDGEMENT

114.   We wish to express our appreciation to the Management and staff of the United Nations Mission in Nepal, the Department of Political Affairs and the Department of Field Support for the assistance and cooperation extended to the auditors during this assignment.

STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	C/O[1]	Actions needed to close recommendation	Implementation date[2]
1.	C		Implemented
2.	C		Implemented
3.	C		Implemented
4.	C		Implemented
5.	O	Training of appropriate staff on the RBB process	December 2007
6.	C		Implemented
7.	O	The finalization of the SOMA and other MOUs with Nepalese government.	Not provided
8.	C		Implemented
9.	O	Recommendation not accepted. OIOS reiterates the recommendation and will keep it open pending the institutionalization and issuance of policies concerning member states and other donors' support for the start-up missions.	
10.	O	Confirmation by UNMIN that all invoices processed by UNDP on behalf of UNMIN have been reviewed and that there were no double payments.	1st Quarter 2008
11.	C		Implemented
12.	C	Based on DM's response, OIOS has closed recommendation 12 without implementation. OIOS will re-examine the issue during future audits of budget and finance management in conjunction with development of the IT strategy of a unified ERP system.	Closed
13.	O	Documentation on the results of DM and DFS efforts to provide SPMs with an automated tool for budget monitoring and other related controls.	
14.	C		Implemented
15.	C		Implemented
16.	O	Recommendation not accepted. OIOS reiterates recommendation and will keep it open pending the receipt of documental evidence that measures had been taken to ensure the continuity of functions when staff on TDY are used to fill posts on a temporary basis.	
17.	O	Completion of the review of all cases submitted to the LCC on an ex-post facto basis and providing OIOS with the summary of LCC's review.	November 2007
18.	C		Implemented
19.	O	Issuance of SOPs drafted by the Property Management Section regarding the accounting, storage and disposal assets.	November 2007
20.	O	Completion of the physical verification of all assets in the mission	December 2007
21.	C	Recommendation 21 has been closed with UNMIN's assuming the risk of non-implementation.	Closed
22.	C		Implemented
23.	C		Implemented
24.	C		Implemented
25.	C		Implemented
26.	C		Implemented
27.	C		Implemented
28.	O	Commissioning of the warden system and the completion of installation of the security equipment and systems in all the security operations centers.	November 2007
29.	O	Finalization of the contracts with medical providers in India and Thailand.	November 2007

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