



OFFICE OF INTERNAL OVERSIGHT SERVICES
INTERNAL AUDIT DIVISION - I

Reference: AUD- (0264/03)

6 May 2005

To: Jan Egeland
Under-Secretary-General for Humanitarian Affairs
& Emergency Relief Coordinator
Office for the Coordination of Humanitarian Affairs (OCHA)

From: Patricia Azarias
Director
Internal Audit Division-1
Office of Internal Oversight Services

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

Subject: OIOS Audit of OCHA, Geneva AN/2004/590/06

1. I am pleased to present herewith the final audit memorandum on the subject audit, which was conducted from 18 through 29 October 2004. We had issued the draft report to Ms. Yvette Stevens, Director & Assistant Emergency Relief Coordinator, Geneva and this report takes into account comments received from her.
2. Taking into account comments received from OCHA, Geneva on 28 March 2005, OIOS has closed Recommendations 4, 6, 9 and 11 taking them as implemented. All outstanding recommendations will remain open in OIOS' database pending the receipt of documentation showing that implementation action has been taken. We also request that you confirm the planned implementation dates in the Annex of the report for outstanding recommendations by 6 June 2005.
3. IAD is assessing the overall quality of its audit process and kindly requests that you consult with your managers who dealt directly with the auditors and complete the attached client satisfaction survey.
4. I would like to take this opportunity to thank you and your staff for the assistance and co-operation extended to the audit team.

1. INTRODUCTION

5. From 18 to 29 October 2004, OIOS conducted an audit of the OCHA's Office (the Office) in Geneva which manages the following trust funds in the area of humanitarian assistance (thousands US dollars):

Name of Trust Fund	Reserves and fund balances (as of 31/12/01)	Income (during 2002-2003)	Expenditures (during 2002-2003)	Adjustments (during 2002-2003)	Reserves and fund balances, (as of 31/12/03)
Afghanistan Emergency Trust	30,621,648	31,633,541	(22,354,618)	(4,362,568)	35,538,003
Trust Fund for Disaster Relief Assistance	53,171,938	135,930,657	(117,948,748)	(1,057,919)	70,095,928
Trust Fund for the Int'l Strategy for Disaster Reduction	968,449	7,658,998	(6,826,279)	(948,183)	852,985
Sasakawa Disaster Prevention Award Endowment Fund	2,203,239	178,580	(181,880)	1,417	2,201,356
Total	86,965,274	175,401,776	(147,311,525)	(6,367,253)	108,688,272

6. The audit was conducted in accordance with general and specific standards for the professional practice of internal auditing in the United Nations organizations. Audit results were discussed with the officials of the Office, who generally agreed with OIOS' findings and recommendations.

II. AUDIT OBJECTIVES AND SCOPE

7. The objective of the audit was to assess the adequacy of the management of the Office and to determine if its resources are being used efficiently and effectively. The audit scope included a review of the OCHA's restructuring effects, financial monitoring of the trust funds and personnel matters. It has covered operations during the 2002-2003 biennium and the first half of 2004.

III. OVERALL ASSESSMENT

8. The Office performs very meaningful functions of support of OCHA's coordination offices in the field. It also services the administrative requirements of the International Strategy for Disaster Reduction. The auditors found that the effectiveness of the operations could be enhanced in the following ways:

- The Office is affected by an on-going overall restructuring of OCHA. The restructuring and its implication on staff movements could be more clearly

communicated to the staff so that its purpose and design would be shared by those concerned.

- The effects of the merger of the Complex Emergency and Natural Disaster desks resulting in the discontinuation of the Disaster Response Branch need further review.
- OCHA could benefit from establishing a clearer delegation of authority and accountability in its support for the field offices.
- The Office could improve its monitoring procedures for funds authorized to its field offices and for grants made to NGOs.
- The arrangements for emergency services provided by UNOG should be further clarified.
- OCHA's operations could further benefit from a comprehensive review of its staffing arrangements.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Programme Management

Restructuring of Complex Emergency Programme

9. The OCHA's programmatic re-structuring involved changes in the reporting lines within the Complex Emergencies programme. Henceforth, the Deputy Director, Coordination Response Division (CRD) stationed in Geneva was to report to the Director of CRD in New York instead of the Director in Geneva. The Complex Emergencies programme constitutes about 37 per cent of OCHA's entire budget and 59 per cent of the expenditure from the Disaster Relief Trust Fund. The management of the Natural Disasters programme which constitutes 6 per cent of OCHA's entire budget and 9.5 per cent of the expenditure from the Disaster Relief Trust Fund was to remain with the Director in Geneva. Although OCHA's restructuring has shifted its major programmatic work to New York, the bulk of its staff remains at Geneva. The restructuring has resulted in an immediate shift of only 5 Professional staff at the P/L 2 or 3 levels to New York.

10. In the auditors' opinion, OCHA's restructuring exercise could benefit from laying out a detailed plan, with reference to its implication on staff movements and their work plans, and time table for its implementation. The purposes and benefits of the restructuring should be clearly communicated to the staff. OCHA's restructuring measures have still to clarify the following issues:

- (i) staffing changes in CRD between New York and Geneva both in the short and long term;

- (ii) workflow as a result of the delegation/distribution of responsibilities and authorities between the Director in Geneva and the Director of CRD in New York; and
- (iii) distribution of responsibilities for administrative and substantive support to the field offices.

Recommendation 1

OIOS recommends that OCHA support its restructuring measures with a detailed plan of action and redistribution of responsibilities and its resources between its New York and Geneva offices (AN2004/590/06/001).

11. OCHA, Geneva stated that *it took note of this recommendation*. Recommendation 1 will be kept open in OIOS database pending provision of documentation of a detailed action plan which will indicate the redistribution of responsibilities and its resources between its New York and Geneva offices.

Review of the Natural Disaster Programme

12. Six per cent of the total OCHA budget is dedicated to the Natural Disasters programme. The attention and capacities devoted to Natural Disasters programme have declined because of the emphasis on dealing with Complex Emergencies. In 2001, an internal re-organization of OCHA combined the Complex Emergency and Natural Disaster desks resulting in the discontinuation of the Disaster Response Branch, which was a repository of institutional knowledge, expertise and contacts in disaster prone countries and contacts with donor governments. The separation of the substantive programme from the response tools has split the critical mass of expertise in the Natural Disasters programme.

13. In the auditors' opinion, the requirements for programme responses in the case of Complex Emergencies and Natural Disasters are quite distinct. In the case of Natural Disasters, the requirements may include the initial speed of response and coordination with national governments of the following issues: response assets on-site, bi-lateral assistance and use of military and civil defence assets, etc. Effective response to natural disasters also requires assistance before (as opposed to after as in the case of Complex Emergencies) a disaster to build internal response capacities. In view of this, it appears that the impact of the restructuring on the Natural Disasters programme deserves a more thorough assessment.

Recommendation 2

OIOS recommends that OCHA review the impact of its current re-structuring on the activities under Natural Disasters programme (AN2004/590/06/002).

14. OCHA, Geneva stated that *it took note of this recommendation*. Recommendation 2 is being closed in OIOS' database in view of OCHA's assurance that this is being taken into account in its current restructuring activities.

B. Finance and Accounts

Projects without activity

15. A review of the projects financed from the Disaster Relief Trust Fund showed that 41 projects had no expenditures/activity during 2002-2003 biennium. Their balances amounted to \$1.4 million as at 31 December 2003. Further, there was no income in 30 out of these 41 projects in 2002-2003. According to the Secretary General's bulletin ST/SGB/188, a regular review of trust funds should be conducted to determine if inactive trust funds should be closed. OCHA's Administrative Office informed OIOS that the review of the projects' status was last done in November 2003. However, of the 41 projects, 15 had no expenditure and 24 had no income even in the previous biennium (2000-2001). In the auditors' opinion, OCHA's review process needs to be strengthened, so that the balances could be either returned to the donors or utilized in other projects.

Recommendation 3

OIOS recommends that the Office regularly review the projects financed from the Disaster Relief Fund and propose the necessary steps to utilize the remaining balances (AN2004/590/06/003).

16. OCHA, Geneva stated that *it took note of this recommendation*. *It explained that allowance must be given to natural disaster projects whose balances should be maintained so as to have funds readily available in the event of a sudden disaster. In this respect, there may be periods of inactivity.* In our opinion, this explanation did not address the issue of regular reviews. We also think that it is not a very prudent practice to keep substantial unutilized balances in certain projects in anticipation of a sudden disaster in a country concerned. Therefore we reiterate Recommendation 3 which is being kept open in OIOS' database.

In-kind contributions

17. According to the instructions for the preparation of financial statements for the biennium 2002-2003, the estimated money value of significant in-kind contributions should be reported as footnotes to both general and technical cooperation trust funds' financial statements. Under the provisions of ST/AI/231, such contributions include non-reimbursable loans of personnel services from sources external to the UN common system. OCHA currently employs three non-reimbursable loan staff of which one was from sources external to the UN common system. OCHA should include the estimated monetary value of this staff in the footnotes to the financial statements of its Trust Funds and ensure that any future in-kind contributions should also be footnoted to its Trust Funds' financial statements.

Recommendation 4

OIOS recommends that OCHA include the estimated monetary value of its non-reimbursable loan staff in the footnotes to its financial statements and ensure that any future in-kind contributions received by it are also footnoted (AN2004/590/06/004).

18. OCHA, Geneva stated that *this recommendation has been noted and UNOG's Finance Section has been provided with details of in-kind contributions for the year ended 31 December 2004*. Recommendation 4 is being closed in OIOS' database in view of action taken by the Office.

MOU with UNOG - Provision of emergency services

19. In December 2003, OCHA paid \$780,000 to UNOG for services related to emergencies in the six months of 2002 and in 2003. According to an MOU signed between OCHA and UNOG (September/October 2003), these emergency services covered rapid deployment of human resources, goods and services, travel etc. To respond to the needs specified by OCHA, UNOG maintains the following resources: 15 months GTA at P-3/GS level; 1 P-3; 3 GS and 6 months of GTA at GS level for Human Resources, Support services, Finance and Electronic Services Section. The actual delivery of the services should be triggered by a proclamation of an emergency by the Emergency Relief Coordinator.

20. Documentation on the usage of these services was not on record with UNOG although they were supposed to have been requested in one instance by OCHA. In December 2003, OCHA questioned the costs being billed by UNOG under this arrangement. UNOG responded that it is OCHA's responsibility to determine the degree of risk it is willing to assume in its emergency preparedness. UNOG also requested OCHA to review its requirements carefully and detail specific services it may require which would form the basis for the MOU for 2004. At the time of the present audit in October 2004, no revised requirements had been sent by OCHA to UNOG. OCHA's administrative office informed the auditors that it would send in their revised requirements to UNOG shortly.

Recommendation 5

OIOS recommends that the Office review its requirements and clarify them with UNOG so as to limit its payments in accordance with its needs (AN2004/590/06/005).

21. OCHA, Geneva stated that *the Office of Programme Planning Budget and Accounts has drafted new guidelines on the manner in which reimbursement of costs of services by UNOG should be calculated. The guideline recognizes that UNOG exists to provide general support in areas as needed by OCHA and eliminates the need for this lump sum for emergency services. A draft agreement for reimbursement of costs based on actual services provided is currently under discussion with UNOG.* Recommendation 5 is kept open in OIOS' database pending provision of the revised agreement.

Financial Accounting System (FAS)

22. The implementation of Financial Accounting System (FAS) - a budget/expenditure monitoring web-based system - had been delayed. The Board of Auditors raised this issue in their Management Letter of June 2004 where they indicated that OCHA had already spent \$398,000 on this system without having been able to implement it. At the time of our audit, the FAS had still not been implemented and its November schedule was further delayed to the end of December 2004. The FAS needs to be implemented as it would be very useful for field offices and desk officers for accessing updated expenditure figures on-line.

Recommendation 6

OIOS recommends that the Office complete the implementation of its Financial Accounting System at the earliest (AN2004/590/06/006).

23. OCHA stated that *the FAS has already been implemented and was being used by both field and Headquarters offices. The system, however, required adjustments for changes in reporting and the manner of processing of transactions. OCHA has employed a full time staff member to be responsible for the maintenance of the system.* Recommendation 6 is being closed in OIOS' database in view of the implementation of the FAS.

Monitoring of projects' expenditures

24. The auditors tested expenditure of the OCHA's Office in the Democratic Republic of the Congo (DRC) and found that it did not have a cost plan for the expenditures of \$1 million from the Emergency Relief Fund. The Office finally provided the auditors with an extract of a cost plan for a budget of \$618,000 leaving the remaining \$400,000 still without a cost plan. Further, the components of the \$618,000 cost plan for the OCHA field office in Goma did not seem to reconcile with the components of the actual expenditures. This constituted authorization of expenditure without an appropriate cost plan, indicating inadequate financial controls.

Recommendation 7

OIOS recommends that the Office ensure that there

are no authorizations of expenditure without cost plans and the authorization of \$1 million expenditure in the Democratic Republic of Congo is based on an approved cost plan (AN2004/590/06/007).

25. OCHA, Geneva stated that *the Relief Fund was a natural disaster project that existed mainly to provide grants for scientific studies on early warning and preparedness. There was no cost plan for the grants totaling \$542,244 as these were made on the basis of the flash appeal and MoUs with Universities and other organisations.* In our opinion, even under the described conditions, grants for scientific studies should be provided for in an approved cost plan. Therefore, Recommendation 7 remains open in OIOS' database.

26. For grants made to NGOs or other agencies, OCHA has a standard MOU by which it requires that an audit be carried out at least once during the lifetime of a project. Additionally, OCHA could audit or review project-related books and records. The auditors found that the Office had not obtained any copies of audited statements for its review, although \$25 million of expenditure were authorized to NGOs and other agencies in 2002-2003. In the interest of monitoring the grants made to NGOs or other agencies, OIOS feels that OCHA should develop and implement a procedure for the review of the audited statements of expenditures above a pre-determined amount.

Recommendation 8

OIOS recommends that the Office should obtain and review audited statements of expenditures above a pre-determined amount from its executing partners (AN2004/590/06/008).

27. OCIAA stated that *has begun to enforce the provision of audited financial statements, where stipulated in the MOU.* However, OIOS is still concerned about the criteria being used to determine whether or not all grants to NGOs are to have audit clauses included in their MOUs. Therefore, Recommendation 8 remains open in OIOS' database pending clarification by OCHA, Geneva regarding their criteria on inclusion of a clause requiring audited statements for moneys disbursed to NGOs.

C. Personnel

Recruitment

28. OCHA's office in Geneva and its field offices had the following staff by category as at 30 September 2004:

	Headquarters	Field
P staff (100 series)	103	-
L staff (200 series)	46	155

P staff (300 series)	30	-
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29. The Office's Human Resources Section (HRS) is headed by the Chief of Section complemented by two Human Resources Officers and one HR Assistant. In 2003, HRS processed a total of 101 recruitment cases. As of 30 September 2004, the volume of cases processed had reached 94. The average time for processing each request was 25 days in IIRS and 35 days in the substantive branch. Since the implementation of the Expedited Procedures in June 2004, the timelines were significantly reduced to 17 and 28 days (an improvement of 41% and 29%) in HRS and the substantive branch respectively. In the auditors' opinion and in order to expedite deployment in the field, OCHA could prepare a roster of candidates for its field vacancies. This could be based on annually anticipated vacancies with generic job descriptions and for multiple duty stations and also should take advantage of existing OHRM rosters. The administrative office informed the auditors that OCHA is moving in this direction and that in 2004, HRS carried out a pilot project to encourage eligible candidates to apply for field posts. The pilot project was implemented in cooperation with the substantive branches, which were to review the suitability of the candidates and submit the shortlist to HRS for eligibility review.

Recommendation 9

OIOS recommends that OCHA consider establishing a roster of candidates for its field operations taking advantage of the existing OHRM rosters to ensure rapid deployment to the field (AN2004/590/06/009).

30. OCHA stated that *the establishment of rosters and multiple duty stations has been suggested by HRS and was well received by OCHA's Senior Management. Implementation is expected to take place during 2005, since the pilot project with FIS was a success. OCHA is also exploring the IT possibilities with OHRM to establish more operational systems than the existing LotusNotes based version.* Recommendation 9 will be closed when the required roster becomes operational.

31. The auditors' reviewed 6 recruitment cases which exceeded 50 days of total processing time. From these, in one case HRS took as long as 78 days to complete the eligibility review, while in another case, the substantive branch took up to 104 days to perform the suitability review. The auditors also found that two candidates were short-listed for a post although they submitted their applications after the deadline. OCHA explained that "an informal request had been made to include the two internal candidates in the eligibility list since they were known to be exceptionally well qualified for the position." However, there was no documentation to support the request from the Programme Manager and no evidence that a senior official had approved the exception.

32. The review of the recruitment cases selected for testing also showed that, in all cases, a decision to fill or establish a post and the selection of a candidate was not clearly

documented. Although there was an indication that the eligibility review had been carried out by the HRS and the substantive branch, the qualifications of the candidates compared with the terms of reference of the vacancy announcement were not found in the files. There was no documentation of the suitability review performed by the substantive branch for all the reviewed cases.

Recommendation 10

OIOS recommends that the Office ensure that the documentation trail is complete in the personnel files relating to recruitment and that the justifications for exceptions are properly documented (AN2004/590/06/010).

33. OCHA stated that *this recommendation had been noted. Any recruitment within OCHA goes through so many steps (Sections/managers/Branch Chiefs/Director/USG's Office) that internal control mechanisms are fully in place and the final selection by OCHA – completely justified. Though, in the future, for all cases, OCHA undertakes to keep more accurate paperwork on files.* Recommendation 10 is closed in OIOS' database in view of the action taken by OCHA.

200 Series Staff Employed at Headquarters

34. In its report dated 07 August 2001 (AE/1999/1), OIOS had recommended that OCHA should not use project personnel in Geneva unless expressly authorized to do so and stop using trust fund resources to finance its core posts. As of 30 September 2004, the number of 200 series staff in Geneva had increased from 20 to 46 since the time of the report. OCHA stated that this was due to its operational activities having increased during this period and that this required a substantial increase in backstopping duties at the Headquarters.

35. The administrative office stated that the process to convert 200 series posts to the Professional category is presently underway. However, of 46 of the 200 series posts, only 33 (or 72 per cent) have been recommended for conversion to the Professional category. The auditors were informed by OCHA that the 200 Series staffing is under a comprehensive review for the entire UN system. A comprehensive review of OCHA's staffing arrangements would be beneficial for better serving its programmatic goals. The establishment of projects in its Geneva Office resulting in recruitment of 200 series staff should be specifically reviewed as part of an overall personnel review. In view of the risk assessment being done jointly by OIOS and OCHA, a comprehensive review of personnel arrangements will be incorporated in the upcoming audit plan.

Performance Appraisal System (PAS)

36. The auditors reviewed the PAS implementation for the 2003 – 2004 cycle to determine the rate of compliance. A total of 37 reports had been finalized and signed off indicating a compliance rate of only 17 per cent. 83 per cent PAS year-end reviews were

in different stages of the process: 94 reports were "in-progress;" 20 plans had started; 5 needed to be updated; and only 18 had been reviewed to the mid-year point. On the other hand, 42 plans were in various stages of the end-of cycle review, but were not completed and 9 were in the "start end-cycle" stage. This indicated that the compliance with the PAS requirements was not satisfactory.

Recommendation 11

OIOS recommends that the Office ensure that all PAS outstanding reports are completed in compliance with the staff rules (AN2004/590/06/0012).

37. OCHA, Geneva stated that *compliance with PAS requirements was recently addressed by Senior Management where it was agreed that reporting officers would dedicate a half-day during each of the PAS stages to ensure timely completion. Feedback is being received from offices and the process will be reviewed during the Senior Management meeting scheduled for 22-24 April 2005.* Recommendation 11 is closed in OIOS' database in view of the action taken by OCHA.

Copy to:

Ms. Yvette Stevens

Ms. C. Bertini

UN Board of Auditors

Annex

Recommendation Status Sheet

Recommendation Number	Recommendation	Planned Implementation Dates
AN2004/590/06/001	OIOS recommends that OCHA support its restructuring measures with a detailed plan of action and redistribution of responsibilities and its resources between its New York and Geneva offices	July 2005
AN2004/590/06/002	OIOS recommends that OCHA review the impact of its current re-structuring on the activities under Natural Disasters programme	July 2005
AN2004/590/06/003	OIOS recommends that the Office regularly review the projects financed from the Disaster Relief Fund and propose the necessary steps to utilize the remaining balances	July 2005
AN2004/590/06/004	OIOS recommends that OCHA include the estimated monetary value of its non-reimbursable loan staff in the footnotes to its financial statements and ensure that any future in-kind contributions received by it are also footnoted	Closed
AN2004/590/06/005	OIOS recommends that the Office review its requirements and clarify them with UNOG so as to limit its payments in accordance with its needs	May 2005
AN2004/590/06/006	OIOS recommends that the Office complete the implementation of its	Closed

	Financial Accounting System at the earliest	
AN2004/590/06/007	OIOS recommends that the Office ensure that there are no authorizations of expenditure without cost plans and the authorization of \$1 million expenditure in the Democratic Republic of Congo be based on an approved cost plan	May 2005
AN2004/590/06/008	OIOS recommends that the Office should obtain and review audited statements of expenditures above a pre-determined amount from its executing partners	May 2005
AN2004/590/06/009	OIOS recommends that OCHA consider establishing a roster of candidates for its field operations taking advantage of the existing OHRM rosters to ensure rapid deployment to the field	Closed
AN2004/590/06/010	OIOS recommends that the Office ensure that the documentation trail is complete in the personnel files relating to recruitment and that the justifications for exceptions are properly documented	Closed
AN2004/590/06/011	OIOS recommends that the Office ensure that all PAS outstanding reports are completed in compliance with the staff rules	Closed