



Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

REPORT 2014/024

Audit of the United Nations Environment Programme Secretariat of the Basel, Rotterdam and Stockholm Conventions

Overall results relating to the efficient and effective secretariat support to the Conventions were initially assessed as partially satisfactory. Implementation of seven important recommendations remains in progress.

**FINAL OVERALL RATING: PARTIALLY
SATISFACTORY**

22 April 2014

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AUDIT REPORT

Audit of the United Nations Environment Programme Secretariat of the Basel, Rotterdam and Stockholm Conventions

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the United Nations Environment Programme (UNEP) Secretariat of the Basel, Rotterdam and Stockholm Conventions.

2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.

3. The Basel, Rotterdam and Stockholm Conventions shared a common objective of protecting human health and the environment from hazardous chemicals and wastes. These Conventions covered the following environmental areas:

(a) The Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal was created to protect people and the environment from the negative effects of inappropriate management of hazardous wastes worldwide. It is a global treaty dealing with hazardous waste materials throughout their lifecycle from production and transport to final use and disposal.

(b) The Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade provides Parties with a first line of defence against hazardous chemicals. It promotes international efforts to protect human health and the environment as well as enabling countries to decide if they want to import hazardous chemicals and pesticides listed in the Convention.

(c) The Stockholm Convention on Persistent Organic Pollutants is a global treaty to protect human health and the environment from highly dangerous, long-lasting chemicals by restricting and ultimately eliminating their production, use, trade, release and storage.

4. The Conferences of the Parties (COP) to the Basel, Rotterdam and Stockholm Conventions decided at their simultaneous extraordinary meetings in February 2010 to establish a joint head function of the Basel Convention Secretariat, the Stockholm Convention Secretariat and the UNEP component of the Rotterdam Convention Secretariat. The Secretariat of the Rotterdam Convention was shared between UNEP and the Food and Agriculture Organization (FAO). In March 2011, the Secretary-General of the United Nations appointed an Executive Secretary for the Secretariat of the Basel, Rotterdam and Stockholm Conventions (or “the Secretariat”).

5. In February 2012, the Secretariat adopted a matrix organization structure in accordance with COP decisions, whereby secretarial activities for the three Conventions were organized around four major functional areas to enhance cooperation and coordination. The 2013 meetings of the COP endorsed the new matrix organization of the Secretariat which included the following management positions: an Executive Secretary at D-2 level; a Deputy Executive Secretary at D-1 level; and four Branch Chiefs at P-5 level for administrative services, convention operations, technical assistance and scientific support. As

at 31 August 2013, the Secretariat had a total of 63 staff members comprising 40 Professional and 23 General Service staff.

6. The budgets of the three Conventions for 2011 to 2013 are summarized in Table 1 below.

Table 1: Basel, Rotterdam and Stockholm Conventions Budgets for 2011 to 2013 (amounts in \$)

Trust fund	2011	2012	2013
Basel Convention Trust Fund	5,163,187	4,704,226	4,640,274
Basel Convention Technical Cooperation Trust Fund	5,185,787	5,147,828	5,341,058
Rotterdam Convention Trust Fund	4,389,605	3,732,848	3,782,629
Rotterdam Convention Special Voluntary Trust Fund	1,864,500	1,983,150	2,058,295
Stockholm Convention Trust Fund	6,189,709	5,779,576	6,106,605
Stockholm Convention Voluntary Special Trust Fund	3,463,450	4,750,520	4,287,220
Total	26,256,238	26,098,148	26,216,081

7. Comments provided by the Secretariat are incorporated in *italics*.

II. OBJECTIVE AND SCOPE

8. The audit was conducted to assess the adequacy and effectiveness of the Secretariat's governance, risk management and control processes in providing reasonable assurance regarding **the provision of efficient and effective Secretariat support to the Conventions**.

9. This audit was conducted at the request of UNEP. OIOS accepted the request from UNEP due to the risk of the lack of coordination among the components in performing the activities of the joint secretariat, and the risk that the effectiveness of the Secretariat's support to the Conventions could be adversely affected by non-compliance with the applicable regulations and rules.

10. The key controls tested for the audit were: (a) coordinated management mechanisms; and (b) regulatory framework. For the purpose of this audit, OIOS defined these key controls as follows:

(a) **Coordinated management mechanisms** - controls that provide reasonable assurance that potential overlaps in the performance of functions are mitigated, and that issues affecting effective coordination are identified and resolved in a timely manner.

(b) **Regulatory framework** – controls that provide reasonable assurance that policies and procedures: (i) exist to guide the provision of efficient and effective Secretariat support to the Conventions; (ii) are implemented consistently; and (iii) ensure reliability and integrity of financial and operational information.

11. The key controls were assessed for the control objectives shown in Table 2.

12. OIOS conducted this audit from October to November 2013 at UNEP Headquarters in Nairobi, Kenya, and at the Secretariat of the Basel, Rotterdam and Stockholm Conventions in Geneva, Switzerland. The audit covered the period from January 2011 to June 2013.

13. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

III. AUDIT RESULTS

14. The Secretariat of the Basel, Rotterdam and Stockholm Conventions governance, risk management and control processes examined were **partially satisfactory** in providing reasonable assurance regarding the **provision of efficient and effective secretariat support to the Conventions**. OIOS made seven recommendations to address issues identified in this audit.

15. The Secretariat was implementing COP decisions of the Basel, Rotterdam and Stockholm Conventions to enhance cooperation and coordination among the three Conventions through joint activities and joint managerial functions. This was being done through a matrix organization structure and the expected financial savings arising from doing so had been quantified. While memoranda of understanding among the COP for the three Conventions had been drafted to clarify responsibilities and accountabilities involved in the delivery of secretariat services by UNEP, the drafts had not been finalized. There was need to increase the working capital reserves for the Basel and Stockholm Conventions to ensure continued implementation of key activities even during challenging financial periods. Significant amounts of pledges were not paid on time, which required controls to ensure that the Secretariat was capable of meeting its obligations whenever they fell due. Overall, the Secretariat's expenditures were generally within approved budget limits. However, staffing costs exceeded the budgeted amounts especially for professional staff, which needed to be addressed.

16. The initial overall rating was based on the assessment of key controls presented in Table 2 below. The final overall rating is **partially satisfactory** as implementation of seven important recommendations remains in progress.

Table 2: Assessment of key controls

Business objective	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Provision of efficient and effective secretariat support to the Conventions	(a) Coordinated management mechanisms	Partially satisfactory	Partially satisfactory	Satisfactory	Satisfactory
	(b) Regulatory framework	Partially satisfactory	Satisfactory	Satisfactory	Partially satisfactory

A. Coordinated management mechanisms

The Conferences of the Parties decisions to enhance cooperation and coordination among the Basel, Rotterdam and Stockholm Conventions were being implemented

17. The Secretariat for the Basel, Rotterdam and Stockholm Conventions (BRSC) was implementing the COP decisions BC-10/29, RC -5/12 and SC - 5/27 to enhance cooperation and coordination among the three Conventions through joint activities and joint managerial functions.

18. Under joint activities, the COP requested the Secretariat to include in the 2012-2013 programme of work cross cutting and joint activities in technical assistance. There were specific cross cutting and joint activities to be undertaken, with specific indicators of achievement and expected outputs. The

Secretariat prepared the 2012-2013 programme of work in compliance with the Parties' decisions to include joint activities. These joint activities included: development of toolkit and electronic training tools and upgrading existing tools; updating the general technical guidelines on the environmentally sound management of organic pollutant waste to include new persistent organic pollutants; and development of strategic partnerships with other multilateral environment agreements.

19. Under the joint managerial activities, the COP requested the Secretariat to hold meetings and conferences for Parties to the Basel, Rotterdam and Stockholm Conventions in a coordinated manner. Furthermore, the COP requested the Secretariat to implement joint services for the three Conventions. At the time of the audit in October 2013, the Secretariat was implementing the following joint services: managerial functions; resource mobilization; financial and administrative support service; legal service; information technology service; and information service. OIOS assessed that the joint services were being implemented satisfactorily and in accordance with the COP requirements.

Matrix organization structure had been adopted for the Secretariat

20. In February 2012, based on the COP decisions, the Secretariat adopted a matrix organization structure whereby the activities of the three Conventions were organized around four major functional areas in order to enhance cooperation and coordination which was expected to contribute to operational efficiency and effectiveness. The 2013 meetings of the COP endorsed the new matrix-based organization of the Secretariat.

21. At the time of the audit, the Secretariat had been realizing some of the intended benefits of the organization structure such as cost savings and improved communications with stakeholders. Therefore, OIOS concluded that the structure was appropriately aimed at enabling the Secretariat to achieve its objectives.

Expected savings from provision of joint services were quantified

22. The Secretariat had quantified the estimated savings made as a result of having one Secretariat providing services to the Basel, Rotterdam and Stockholm Conventions. The Secretariat took into account actual costs towards salaries, rent, conference services and meetings, and planned travel costs. The main savings for 2012 amounted to \$498,768 and estimated savings for 2013 totaled \$1,066,891. Therefore, the single Secretariat for the three conventions was achieving cost savings as intended.

Reports to the Conferences of the Parties did not quantify the achievements in implementing joint activities

23. In March 2013, the Secretariat reported to the Parties on the implementation of its joint activities as stipulated in the programme budgets for 2012. While the report detailed the progress on the implementation of joint activities, it did not quantify the specific results achieved. For example, one of the joint activities was to develop tools to support countries in implementing the conventions. The Parties had specified the indicators of achievement for this activity as follows: (a) updated toolkit and electronic tools available under the three Conventions; (b) number of users of the electronic tools; (c) number of parties trained in the environmentally sound management of persistent organic pollutants and new persistent organic pollutant wastes; (d) number of good practices and experiences shared on environmentally sound management of persistent organic pollutant wastes; (e) number of follow-up activities and projects undertaken to support environmentally sound management of persistent organic pollutant wastes. However, the Secretariat's report on the implementation of joint activities did not quantify the actual achievements.

24. Non-quantification of the results achieved could adversely impact on the stakeholders' ability to objectively assess the performance and impact of the activities undertaken by the Secretariat. This could also adversely impact on the Secretariat's resource mobilization efforts.

(1) The Executive Secretary of the Secretariat of the Basel, Rotterdam and Stockholm Conventions should quantify the results accomplished in implementing joint activities as required by the Conferences of the Parties.

The Secretariat accepted recommendation 1 and stated that the Executive Secretary will report on the implementation of joint activities to the COP in 2015 and in so doing include statistics indicating results. Recommendation 1 remains open pending confirmation that the Secretariat has quantified the results accomplished in joint activities when reporting to the COP.

Funding mechanism for staff needed to be streamlined

25. There was a need to establish a mechanism for jointly funding the costs of staff members of the Secretariat. At the time of the audit, the costs for staff were being met as follows: the Executive Secretary and Deputy Executive Secretary were funded from the posts of the two former Executive Secretaries of the Basel, and Stockholm/Rotterdam Conventions; two Branch Chiefs were already on the payroll of the Secretariat while the other two Branch Chiefs were paid from savings and programme support costs. The remaining staff members were paid from funds from the Conventions which had recruited them. In the 2014-2015 budgets, it was envisaged that the costs of the Executive Secretary, Deputy Executive Secretary, and Branch Chiefs would be met as follows: 50 percent by the Stockholm Convention; 40 per cent by the Basel Convention; and 10 per cent by the Rotterdam Convention. Other staff members would continue to be paid from funds of the Conventions that recruited them, and programme support costs. The financing arrangements for staff remained disjointed and appeared to be inconsistent with the principle of a single Secretariat providing services to all three Conventions. A more suitable arrangement would be for the Secretariat to pool the funds from the three Conventions into one operational account and then use the funds to pay the staff members.

(2) The Executive Secretary of the Secretariat of the Basel, Rotterdam and Stockholm Conventions should request the Conferences of the Parties of the Basel, Rotterdam and Stockholm Conventions to establish a single operational account for staff costs.

The Secretariat accepted recommendation 2 and stated that, for accounting purposes, a single operational account for staff costs would make it simpler for the Secretariat to administer staff in a matrix environment. Due consideration should be given to the legal and administrative framework for such a change, i.e. the legal identity of each Convention and the practical aspects to Parties of funding joint budgets. While the proposal would be put forward to the parties as recommended, its implementation is contingent on approval by the COP of the three conventions. UNEP and the Executive Secretary's responsibility in implementing this recommendation is limited to proposing to the COP of the Basel, Rotterdam and Stockholm Conventions (BC COP-12, RC COP-7, SC COP-7) in 2015 that a decision to this effect be taken. Recommendation 2 remains open pending receipt of evidence showing that a proposal for establishing a single operational account for staff costs has been made to the COP of the three Conventions.

B. Regulatory framework

Memoranda of Understanding between the United Nations Environment Programme and the Parties need to be finalized

26. All the three memoranda of understanding (MOU) between UNEP and the three Conventions were yet to be finalized at the time of the audit. The Secretariat explained that it was awaiting feedback from UNEP Headquarters following submission of draft proposals.

27. UNEP had been designated to carry out the secretariat functions by the Conventions. This was stipulated in Article 16 of the Basel Convention, Article 20 of the Stockholm Convention, and Article 19 of the Rotterdam Convention. However, the lack of MOU between UNEP and the Conventions could result in misunderstanding on responsibilities and accountabilities, relating to the delivery of Secretariat services by UNEP to the Conventions, which were necessary to ensure quality assurance, cost efficiency and effectiveness in the delivery of services.

(3) UNEP should finalize the memoranda of understanding with the Conferences of the Parties of the Basel Convention, the Rotterdam Convention, and the Stockholm Convention in order to clarify mutual expectations.

UNEP accepted recommendation 3 and stated that it was working with the Secretariat and FAO to complete the MOU for consideration and approval by the COP to the Basel, Rotterdam and Stockholm Conventions, respectively, in 2015. Based on lessons learned with other conventions, this may require follow up with the parties following decisions at the COP. While the proposal would be put forward to the parties as recommended, its implementation is contingent on approval by the COP of the three conventions. UNEP and the Executive Secretary's responsibility in implementing this recommendation is limited to putting forward an informally negotiated proposal at the meetings of the COP to the Basel, Rotterdam and Stockholm Conventions. Recommendation 3 remains open pending receipt of the finalized versions of the MOU with the COP of the three Conventions.

Adequate levels of working capital reserve need to be maintained

28. The working capital reserves for the general trust funds of the Basel and Stockholm Conventions were inadequate. As shown in Table 3 below, as at 31 December 2012, the reserve balance for the general trust fund for the Basel Convention fell short of the required level by \$43,195.

Table 3: Working capital reserve levels for general trust funds as at 31 December 2012 (amounts in \$)

Year	General Trust Fund	Operational budget	Percentage rate	Expected reserve	Actual reserve	Difference
2012	Basel Convention Trust Fund	4,704,226	15	705,634	662,439	(43,195)
2012	Rotterdam Convention Trust Fund	3,732,848	15	559,927	1,047,105	487,178
2012	Stockholm Convention Trust Fund	5,779,576	8.3	479,705	484,631	4,926

29. As for the general trust fund of the Stockholm Convention, the COP for the Convention had decided that the trust fund should be maintaining “the working capital reserve at the level of 8.3 per cent of the annual average of the biennial operational budget”. However, the rate of 8.3 per cent was not consistent with ST/AI/284 on General Trust Funds which requires the trust funds to maintain operating

cash reserve at a constant level of 15 per cent of estimated annual planned expenditures. Based on ST/AI/284, the Stockholm Convention Trust Fund should have maintained a reserve of \$866,936. Therefore, the actual level of reserve that was held was short by \$387,231.

30. The maintenance of adequate working capital reserves supports the continued implementation of trust fund activities and ensures that financial liabilities can be met even when the Secretariat undergoes financial difficulties. For example, reserves could be used when the Secretariat experiences significant adverse foreign exchange fluctuations.

(4) The Executive Secretary of the Secretariat of the Basel, Rotterdam and Stockholm Conventions should propose to the Conference of Parties (COP) of the Basel Convention to maintain the level of reserve of the trust fund at 15 per cent of the annual average of the biennial operational budget to comply with the COP decisions and ST/AI/284.

The Secretariat accepted recommendation 4 and stated that the Executive Secretary will highlight the need to maintain an operating reserve of the trust fund for the Basel Convention at a level of 15 per cent at the next COP in 2015. While the proposal will be put forward to the parties as recommended, its implementation is contingent on approval by the COP. Recommendation 4 remains open pending confirmation that the Secretariat has proposed to the COP of the Basel Convention to maintain the level of reserve of the trust fund at 15 per cent of the annual average of the biennial operational budget.

(5) The Executive Secretary of the Secretariat of the Basel, Rotterdam and Stockholm Conventions should propose to the Conference of Parties of the Stockholm Convention to increase the level of reserve of the trust fund to 15 per cent of the annual average of the biennial operational budget, as stipulated in ST/AI/284.

The Secretariat accepted recommendation 5 and stated that the Executive Secretary will again emphasize the need to raise the level of the operating reserve of the trust fund for the Stockholm Convention to 15 per cent at the next COP in 2015. In 2013, the COP decided to maintain the working capital reserve at the level of 8.3 per cent of the annual average of the biennial operational budgets for 2014–2015 while recognizing that this issue may need to be discussed further at its seventh meeting. The Executive Secretary's responsibility in implementing this recommendation is therefore limited to putting forward the recommendation at the meetings of the COP to the Stockholm convention. Recommendation 5 remains open pending confirmation that the Secretariat has proposed to the COP of the Stockholm Convention to increase the level of reserve of the trust fund to 15 per cent of the annual average of the biennial operational budget.

Expenditure on staff had exceeded the budget

31. There was a need to control expenditure on staff as it had exceeded the budgeted amounts in 2011 and 2012. While the overall expenditure was in most cases within budget, expenditure on staff exceeded the budget by significant amounts. The COP had allowed the Executive Secretary to make transfers within each of the main appropriation lines of the approved operational budget. The Executive Secretary was also allowed to make transfers between such appropriation lines up to 20 per cent unless another limit was set by the COP. As shown in Table 4 below, there were instances in which expenditure on staff costs exceeded the 20 per cent limit set by the COPs of the Basel, Rotterdam and Stockholm Conventions. There was a need for management to address the issue of over expenditure on staff, especially on the professional staff costs.

Table 4: Significant variances in staff costs in 2011 and 2012 (amounts in \$)

Year	Special Trust Fund	Budget	Expenditure	Variance	Percentage
2011	Rotterdam Convention Special Trust Fund	50,000	591,967	(541,967)	(108)
2011	Stockholm Convention Special Trust Fund	435,000	870,462	(435,462)	(100)
2012	Stockholm Convention Special Trust Fund	695,300	928,911	(233,611)	(34)

32. Member states had expressed concern on the very high proportion of high-level posts such as P-5 and above and indicated that when implementing the restructuring this should be avoided and that not all vacant high level posts needed to be filled. Also, the member states reminded the Secretariat that the restructuring would serve to streamline the operations of the Secretariat and not lead to an increase in posts. Instead, the member states said that the overall effect of the restructuring should be to enhance investment in activities to support the implementation of the conventions.

33. The Secretariat provided explanations for some of the adverse variances. In 2011, the Swiss Franc, which was the currency used to pay personnel, appreciated significantly against the United States Dollar, which was used for budgeting and accounting purposes in UNEP. Therefore, this resulted in more dollars being required to meet the payroll costs. Furthermore, in 2011, the Secretariat was only provided with 92 per cent and 96 per cent of the budget requested for the Rotterdam and Stockholm Conventions respectively, for posts in the staffing table. The Secretariat also explained that expenditure on staff was linked to delivery of budgeted activities as approved by the COP. Therefore, it would not be feasible to arbitrarily reduce expenditure on staff without corresponding adjustments on activities to be performed. In addition, there were years in which the Secretariat had budget surpluses and others when it had deficits. In such circumstances, management has focused on implementing the budgeted activities and managed staff costs by re-prioritizing expenditure in all budget categories.

34. The issue of over expenditure on staff costs needs to be addressed since it could weaken the financial stability of the conventions in the long run. Therefore, the Secretariat needs to take measures to address the over expenditure, including the possible re-alignment of the level of activities to be undertaken with the level of staffing resources provided by the COP.

(6) The Executive Secretary of the Secretariat of the Basel, Rotterdam and Stockholm Conventions should ensure that staff costs remain within approved budget limits.

The Secretariat accepted recommendation 6 and stated that the COP to the Basel, Rotterdam and Stockholm Conventions authorized the Executive Secretary to continue to determine the staffing levels, numbers and structure of the Secretariat in a flexible manner, provided that the Executive Secretary remains within the overall cost of the staff numbers set out in table 5 of the budget decision for the biennium 2014–2015. Recommendation 6 remains open pending receipt of evidence showing that staff costs have been controlled to remain within approved budget limits.

Need to control expenditure in light of significant amounts of unpaid pledges

35. A significant amount of pledges to the general trust funds of the Basel, Rotterdam and Stockholm Conventions remained unpaid at the end of 2012. As Table 5 below shows, a cumulative total of \$3.7 million remained uncollected for the three trust funds.

Table 5: Cumulative unpaid pledges as at 31 December (amounts in \$)

General Trust fund	2012	2011	2010
Basel Convention trust fund	1,314,016	1,082,068	853,883
Rotterdam Convention trust fund	1,570,210	1,089,100	254,670
Stockholm Convention trust fund	838,310	1,027,940	652,842
Total	3,722,536	3,199,108	1,761,395

36. Unpaid pledges adversely affect the financial strength of the trust funds of the Conventions. The Parties recognized this issue and implored the members to honour their pledges. In the case of the Rotterdam Convention, while reviewing and approving the 2012-2013 budget, the COP requested the Executive Director of UNEP, “on an exceptional and as-needed basis, to authorize the loan of financial resources up to a maximum of \$500,000 to enable the continued and uninterrupted operation of the Secretariat” pending receipt of unpaid pledges from a donor. The donor eventually paid the pledge.

37. While the situation of significant unpaid pledges was being addressed, it would be prudent for the Secretariat to devise a control mechanism for reviewing actual funds received from the Parties before incurring expenditure on activities that are in the approved budgets. Otherwise, there is a risk of the Secretariat putting the trust funds in poor financial standing through spending funds that may not be received.

(7) The Executive Secretary of the Secretariat of the Basel, Rotterdam and Stockholm Conventions should devise a control mechanism for reviewing actual funds received from the Parties before incurring expenditure on budgeted activities.

The Secretariat accepted recommendation 7 and stated that it kept strict control of income and expenditures by monitoring weekly deposits registered by UNEP and by recording commitments and disbursements in the Integrated Management Information System (IMIS). Furthermore, quarterly reports on income and expenditure per convention and trust fund were prepared and posted on the Basel, Rotterdam and Stockholm Synergies website. Details of pledged and collected contributions were posted monthly on the convention-specific websites.

The Secretariat was concerned about arrears and was working closely with the respective bureau of the conventions to address the issue. In this regard, financial rules and decisions on financing and budget of respective conventions address this issue with measures such as Parties with arrears for more than two or more years from 1 January 2010 not being eligible to be members of the bureau of the COP or any subsidiary bodies.

Additionally, the Secretariat has been requested to provide further inputs on incentives and measures to address arrears to the core budget contributions and to present options including information on those applied by other multilateral environment agreements for consideration at the COP in 2015.

Recommendation 7 remains open pending receipt of evidence showing that the issue of significant unpaid pledges has been satisfactorily addressed.

Consultants and individual contractors

38. The Secretariat hired consultants and individual contractors in accordance with applicable United Nations regulations and rules. Adequate comparisons of suitable candidates had been made, the

qualifications of the selected candidates were in line with the terms of reference, contracts had been signed at the appropriate level, payments were made against outputs, and medical certificates were on file in cases where the work involved travel. Therefore, OIOS concluded that controls in this area were satisfactory.

IV. ACKNOWLEDGEMENT

39. OIOS wishes to express its appreciation to the Management and staff of UNEP Secretariat of the Basel, Rotterdam and Stockholm Conventions for the assistance and cooperation extended to the auditors during this assignment.

(Signed) David Kanja
Assistant Secretary-General for Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of the United Nations Environment Programme Secretariat of the Basel, Rotterdam and Stockholm Conventions

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	The Executive Secretary of the Secretariat of the Basel, Rotterdam and Stockholm Conventions should quantify the results accomplished in implementing joint activities as required by the Conferences of the Parties.	Important	O	Confirmation that the Secretariat has quantified the results accomplished in joint activities when reporting to the Conferences of the Parties.	31 December 2015
2	The Executive Secretary of the Secretariat of the Basel, Rotterdam and Stockholm Conventions should request the Conferences of the Parties of the Basel, Rotterdam and Stockholm Conventions to establish a single operational account for staff costs.	Important	O	Evidence showing that a proposal for establishing a single operational account for staff costs has been made to the COP of the three Conventions.	31 December 2015
3	UNEP should finalize the memoranda of understanding with the Conferences of the Parties of the Basel Convention, the Rotterdam Convention, and the Stockholm Convention in order to clarify mutual expectations.	Important	O	Receipt of the finalized versions of the MOU with the COP of the Basel Convention, the Rotterdam Convention, and the Stockholm Convention.	31 December 2016
4	The Executive Secretary of the Secretariat of the Basel, Rotterdam and Stockholm Conventions should propose to the Conference of Parties (COP) of the Basel Convention to maintain the level of reserve of the trust fund at 15 per cent of the annual average of the biennial operational budget to comply with the COP decisions and ST/AI/284.	Important	O	Confirmation that the Secretariat has proposed to the COP of the Basel Convention to maintain the level of reserve of the trust fund at 15 per cent of the annual average of the biennial operational budget.	31 December 2015
5	The Executive Secretary of the Secretariat of the Basel, Rotterdam and Stockholm Conventions should propose to the Conference of Parties of the	Important	O	Confirmation that the Secretariat has proposed to the COP of the Stockholm Convention to increase the level of reserve of the trust fund to	31 December 2015

¹ Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

² Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

³ C = closed, O = open

⁴ Date provided by UNEP Secretariat of the Basel, Rotterdam and Stockholm Conventions in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Audit of the United Nations Environment Programme Secretariat of the Basel, Rotterdam and Stockholm Conventions

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
	Stockholm Convention to increase the level of reserve of the trust fund to 15 per cent of the annual average of the biennial operational budget, as stipulated in ST/AI/284.			15 per cent of the annual average of the biennial operational budget.	
6	The Executive Secretary of the Secretariat of the Basel, Rotterdam and Stockholm Conventions should ensure that staff costs remain within approved budget limits.	Important	O	Evidence showing that staff costs have been controlled to remain within approved budget limits.	April 2014
7	The Executive Secretary of the Secretariat of the Basel, Rotterdam and Stockholm Conventions should devise a control mechanism for reviewing actual funds received from the Parties before incurring expenditure on budgeted activities.	Important	O	Evidence showing that the issue of significant unpaid pledges has been satisfactorily addressed.	April 2014

APPENDIX I

Management Response

Management Response

Audit of the United Nations Environment Programme Secretariat of the Basel, Rotterdam and Stockholm Conventions

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The Executive Secretary of the Secretariat of the Basel, Rotterdam and Stockholm Conventions should quantify the results accomplished in implementing joint activities as required by the Conferences of the Parties.	Important	Yes	ES	31/12/ 2015	The Executive Secretary will report on the implementation of joint activities to the Conferences of the Parties of the three conventions in 2015 (BC COP-12, RC COP-7, SC COP-7) and in so doing include statistics indicating results
2	The Executive Secretary of the Secretariat of the Basel, Rotterdam and Stockholm Conventions should request the Conferences of the Parties of the Basel, Rotterdam and Stockholm Conventions to establish a single operational account for staff costs.	Important	Yes	ES	31/12/ 2015	UNEP agrees with the recommendation, as a constructive one: for accounting purposes, a single operational account for staff costs would make it simpler for the secretariat to administer staff in a matrix environment. Due consideration should be given to the legal and administrative framework for such a change, i.e. the legal identity of each Convention and the practical aspects to Parties of funding joint budgets. While the proposal will be put forward to the parties as recommended, its implementation is contingent on approval by the COPs of the three conventions. UNEP and the ES's responsibility in implementing this recommendation is limited to proposing to the COPs

¹ Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

² Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Management Response

Audit of the United Nations Environment Programme Secretariat of the Basel, Rotterdam and Stockholm Conventions

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						of the Basel, Rotterdam and Stockholm conventions (BC COP-12, RC COP-7, SC COP-7) in 2015 that a decision to this effect be taken.
3	UNEP should finalize the memoranda of understanding with the Conferences of the Parties of the Basel Convention, the Rotterdam Convention, and the Stockholm Convention in order to clarify mutual expectations.	Important	Yes	UNEP	31/12/ 2016	UNEP is working with the Secretariat of the BRS conventions and FAO to complete the MOUs for consideration and approval by the Conferences of the Parties to the Basel, Rotterdam and Stockholm conventions, respectively, in 2015. Based on lessons learnt with other conventions, this may require follow up with the parties following decisions at the COPs. While the proposal will be put forward to the parties as recommended, its implementation is contingent on approval by the COPs of the three conventions. Similarly to recommendation 2 above, UNEP and the ES's responsibility in implementing this recommendation is limited to putting forward an informally negotiated proposal at the meetings of the conferences of the parties to the Basel, Rotterdam and Stockholm conventions.
4	The Executive Secretary of the Secretariat of the Basel, Rotterdam and Stockholm Conventions should propose to the Conference of Parties (COP) of the Basel Convention to maintain the level of	Important	Yes	ES	31/12/ 2015	The Executive Secretary will highlight the need to maintain an Operating Reserve of the trust fund for the Basel Convention at a level of 15% at the next Conference of the

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	reserve of the trust fund at 15 per cent of the annual average of the biennial operational budget to comply with the COP decisions and ST/AI/284.					Parties in 2015. While the proposal will be put forward to the parties as recommended, its implementation is contingent on approval by the COP.
5	The Executive Secretary of the Secretariat of the Basel, Rotterdam and Stockholm Conventions should propose to the Conference of Parties of the Stockholm Convention to increase the level of reserve of the trust fund to 15 per cent of the annual average of the biennial operational budget, as stipulated in ST/AI/284.	Important	Yes	ES	31/12/ 2015	The Executive Secretary will again emphasize the need to raise the level of the Operating Reserve of the trust fund for the Stockholm Convention to 15% at the next Conference of the Parties in 2015. In 2013, the Conference of the Parties decided to maintain the working capital reserve at the level of 8.3 per cent of the annual average of the biennial operational budgets for 2014–2015 while recognizing that this issue may need to be discussed further at its seventh meeting. The ES's responsibility in implementing this recommendation is therefore limited to putting forward the recommendation at the meetings of the conference of the parties to the Stockholm convention.
6	The Executive Secretary of the Secretariat of the Basel, Rotterdam and Stockholm Conventions should ensure that staff costs remain within approved budget limits.	Important	Implemented	ES	With immediate effect. Expenditure on staff costs will be closely monitored to ensure they remain within approved budget	The Conferences of the Parties to the Basel, Rotterdam and Stockholm conventions authorized the Executive Secretary to continue to determine the staffing levels, numbers and structure of the Secretariat in a flexible manner, provided that the Executive Secretary remains within

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					limits	the overall cost of the staff numbers set out in table 5 of the budget decision for the biennium 2014–2015
7	The Executive Secretary of the Secretariat of the Basel, Rotterdam and Stockholm Conventions should devise a control mechanism for reviewing actual funds received from the Parties before incurring expenditure on budgeted activities.	Important	Already implemented	ES	The review of actual funds received versus expenditures incurred is an ongoing process. The Secretariat closely monitors all expenditures so that they remain within the overall budget	<p>The BRS secretariat keeps strict control of received income and expenditures by monitoring weekly deposits registered by UNEP and by recording commitments and disbursements in the financial systems of UNON and UNOG, i.e. IMIS. This has been strengthened recently by additional measures taken by the finance section of the UNEP office for operations throughout the organization, including the secretariats of multilateral environment agreements, tightening controls on expenditures and the issuance of certification for financial transactions.</p> <p>Quarterly reports on <i>statement of income and expenditure</i> per convention and trust fund are prepared and posted on the Basel, Rotterdam and Stockholm Synergies website. In addition, details of pledged and collected assessed and voluntary contributions are posted monthly on the convention-specific websites.</p>

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						<p>The general trust funds of the Basel, Rotterdam and Stockholm conventions are funded from assessed contributions by Parties to the conventions. The annual assessed contributions are based on the United Nations scale of assessment and calculated in line with the respective financial rules of the conventions. Assessed contributions cover the costs related to the operation of the Secretariat, i.e. staff salaries, rental charges related to office space and equipment, purchase of office equipment and supplies, staff travel as well as meeting costs related to conferences of the parties (COP) and its subsidiary bodies.</p> <p>Many of these costs are long-term commitments, i.e. staff salaries based operation of office space and mandated meetings for conferences of the parties and subsidiaries.</p> <p>The issue regarding arrears to the core budget is of great concern and the Secretariat is working closely with the respective bureau of the conventions to address long-term arrears.</p>

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						<p>The financial rules and decisions on financing and budget of respective conventions address this issue and include the following measures:</p> <p>Basel convention</p> <ul style="list-style-type: none"> • No party that is in arrears for two or more years from 1 January 2010 is eligible to become a member of the bureau of the COP or any other subsidiary bodies. This is not applicable to Least Developed Countries (LDC), Small Island Developing States (SIDS) or those parties that have agreed on payment schedule • Parties in arrears for four or more years are not eligible to vote at COPs unless otherwise decided <p>Rotterdam convention</p> <ul style="list-style-type: none"> • No party that is in arrears for two or more years from 1 January 2010 is eligible to become a member of the bureau of the COP or any other subsidiary bodies. This is not applicable to Least Developed Countries

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						<p>(LDC), Small Island Developing States (SIDS) or those parties that have agreed on payment schedule</p> <p>Stockholm convention</p> <ul style="list-style-type: none"> No party that is in arrears for two or more years from 1 January 2010 is eligible to become a member of the bureau of the COP or any other subsidiary bodies. This is not applicable to Least Developed Countries (LDC), Small Island Developing States (SIDS) or those parties that have agreed on payment schedule <p>Furthermore, the Secretariat has been requested to provide further inputs on incentives and measures to address arrears to the core budget contributions and to present options including information on those applied by other MEAs for consideration at the COPs in 2015</p>