



**Office of Internal Oversight Services
Internal Audit Division**

AUD: UNEP (020/2006)

24 August 2006

TO: Mr. A. Steiner, Executive Director
United Nations Environment Programme (UNEP)

FROM: Corazon Chavez, Acting Director
Internal Audit Division II, Office of Internal Oversight Services (OIOS)

SUBJECT: Audit of budget arrangements for ASCOBANS and EUROBATS agreements
(AA2006/220/04)

1. I am pleased to submit the final report on the audit of UNEP Convention of Migratory Species and the co-located Agreements - review of budget arrangements for ASCOBANS and EUROBATS agreements, which was conducted in Bonn, Germany, July 2006, by Mr. Obin Silungwe. A draft of the report was shared with the staff responsible for the audited activities on 17 August 2006 whose comments, which were received on 22 August 2006, are reflected in the attached final report, in italics.
2. I am pleased to note that the audit recommendations contained in this final report have been accepted and that UNEP has initiated their implementation. The table in paragraph 42 of the report identifies those recommendations, which require further action to be closed. I wish to draw your attention to recommendation 1 which OIOS considers to be of critical importance.
3. I would appreciate if you could provide Mr C. F. Bagot with an update on the status of implementation of the audit recommendations not later than 30 November 2006. This will facilitate the preparation of the twice-yearly report to the Secretary-General on the implementation of recommendations, required by General Assembly resolution 48/218B. In accordance with General Assembly resolution A/RES/59/272, the Secretary-General should ensure that the final audit report in its original version is, upon request, made available to any Member state, who may make it public.
4. Please note that OIOS is assessing the overall quality of its audit process. I therefore kindly request that you consult with your managers who dealt directly with the auditors, complete the attached client satisfaction survey form and return it to me.
5. I would like to take this opportunity to thank you and your staff for the assistance and cooperation extended to the audit team.

Attachment: final report and client satisfaction survey form

cc: Mr. R. Hepworth, Executive Secretary, CMS (by e-mail)
Mr. A. Streit, Executive Secretary, EUROBATS Secretariat (by e-mail)
Mr. R. Stempel, Executive Secretary of ASCOBANS (by e-mail)
Mr. S. Goolsarran, Executive Secretary, UN Board of Auditors (by e-mail)
Mr. M. Tapio, Programme Officer, OUSG, OIOS (by e-mail)
Ms. K. Autere, Audit Focal Point, UNEP (by e-mail)
Mr C. F. Bagot, Chief, Nairobi Audit Section, IAD II (by e-mail)
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Office of Internal Oversight Services
Internal Audit Division

Audit Report

Audit of budget arrangements for ASCOBANS and EUROBATS agreements
(AA2006/220/04)

Report date: 24 August 2006

Auditors: Obin Silungwe



**Office of Internal Oversight Services
Internal Audit Division**

**Audit of budget arrangements for the ASCOBANS and EUROBATS Agreements
(AA2006/220/04)**

EXECUTIVE SUMMARY

In July 2006, OIOS conducted an audit of the UNEP Convention of Migratory Species (CMS) and the co-located Agreements - review of budget arrangements for ASCOBANS and EUROBATS Agreements in Bonn, Germany.

OIOS concluded that the root cause of the budgetary problems experienced was a failure on the part of UNEP to address in a timely manner weaknesses in the current arrangements for the administration of Conventions. In this instance, the lack of clarity resulted in ASCOBANS employing a flawed methodology which was not spotted and rectified before the 2004 -2006 budget was exhausted and an inappropriate budget for 2007- 2009 was presented to the Parties. OIOS notes that further discussions between UNEP and UNON are required to determine the way forward in respect of recommendation 01, dealing creation of budget guidelines and is pleased to note that action is underway to address recommendation 02, dealing with creation of a revised budget for ASCOBANS.

General Budgetary Arrangements

UNEP has recognised the need to improve administrative arrangements for the Conventions, but the process, which began around 2003, has not been finalised yet. Consequently, in the case of UNEP CMS, neither its Administration and Fund Management Unit (AFMU) nor UNON Budget and Financial Management Service have a clear statement of who has the responsibility for ensuring that the budget presented to the Parties has been prepared in accordance with the United Nations Regulations and Rules under which the Agreements are being operated. OIOS urges UNEP to finalise the implementation of the recommendations that deal with the overall role and responsibilities for the Administration of Conventions, and also recommends the creation of budget guidelines to further clarify roles and responsibilities in this area.

EUROBATS Budget

OIOS concluded that EUROBATS had adopted an acceptable methodology, which involved appropriate consultation with the relevant UNON and UNEP staff throughout the budget preparation period. The figures produced for 2004 – 2006 proved to be reasonable and in line with the budget methodology requested by the Parties. OIOS is satisfied that Parties can place reliance on the budget figures for 2007 - 2010, with the understanding that the methodology used could result in an understatement because it has no contingency built in for unforeseen events.

ASCOBANS Budget

OIOS concluded that the methodology adopted by ASCOBANS and the consultations that followed did not provide sufficient assurances that the budget figures for the period 2004-2006 and the 2007-2009 could be relied on. Consequently, cost overruns occurred in some budget lines, especially those dealing with personnel costs in the period 2004-2006. Parties will need to consider making provision to cover the overall cost overrun estimated to be around US\$77,000 at the end of 2006 assuming a pattern similar to that experienced in the first six months of the year. The Secretariat should seek through UNEP management immediate approval from the Parties to utilise the reserves and fund balances to meet this shortfall. The budget for the triennium 2007- 2009 will need to be recalculated

taking into account the actual personnel costs and the need to maintain a minimum operating reserve amounting to one half of the budget of the calendar year or as determined by the Parties.

August 2006

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I. INTRODUCTION

1. This report discusses the results of an OIOS audit of the UNEP Convention of Migratory Species (CMS) and the co-located Agreements - review of budget arrangements for ASCOBANS and EUROBATS Agreements, which was carried out in July 2006 in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. CMS (also known as the Bonn Convention) aims to conserve terrestrial, marine and avian migratory species throughout their range. It is an intergovernmental treaty concerned with the conservation of wildlife and wildlife habitats on a global scale. Parties work together to conserve migratory species and their habitats by providing strict protection for the endangered migratory species by concluding multilateral Agreements under Article IV of the Convention for the conservation and management of migratory species and by undertaking co-operative research activities. Three such Agreements are co-located with the Convention Secretariat, Conservation of Bats in Europe (EUROBATS), Conservation of Small Cetaceans of the Baltic and North Seas (ASCOBANS) and the African-Eurasian Waterbird Agreement (AEWA).

3. The decision-making organ of the Bonn Convention is the Conference of the Parties (COP). It has a Standing Committee, which provides policy and administrative guidance between the regular meetings of the COP, while the Scientific Council, consisting of experts appointed by individual member States and by the COP, gives advice on technical and scientific matters. ASCOBANS and EUROBATS have governing structures comprising Meeting of the Parties (MOP), Secretariat, and Advisory / Technical Committees.

4. CMS is headed by an Executive Secretary at the D-1 level, supported by five Professionals and seven General Service staff members. This includes an Administrative and Fund Management Unit (AFMU) which provides administrative support to CMS and the co-located Article IV Agreement Secretariats. Since the end of 2004 AFMU has been at full complement comprising an Administrative Fund Management Officer (AFMO), P-3, and four General Service staff.

5. EUROBATS is headed by a P-4 supported by three part-time (50 percent) General Service staff. ASCOBANS is headed by a P-3 supported by one General Service staff. There was a decision at MOP4 in 2003 to upgrade the Executive Secretary of ASCOBANS to the P-4 level. The formal procedures have been completed but the appointment has been suspended due to the lack of appropriate funds.

6. CMS and Agreement Secretariats activities are funded by Trust Fund (TF) contributions, which are assessed using the same scale of assessment of the United Nations. The approved CMS budget for 2003–2005 was approximately US\$4.96 million, EUROBATS' approved budget for 2004-2006 was approximately US\$709,500; ASCOBANS' budget for the same period was approximately US\$505,000.

7. Whilst no previous audits have focussed specifically on the budgetary arrangements, the audit of UNEP's Secretariat to the Convention on the Conservation of Migratory Species of Wild Animals (CMS), and co-located Agreement Secretariats carried out in 2004 (AA 2004/220/02,) raised concerns about the administrative arrangements. This audit followed up on progress in implementing the recommendations. A draft of the report was shared with the staff responsible for the audited activities on 17 August 2006 whose comments, which were received on 22 August 2006, are reflected in the attached final report, in italics. OIOS notes that further

discussions between UNEP and UNON are required to determine the way forward in respect of recommendation 1, and is pleased to note that action is underway to address recommendation 2.

II. AUDIT OBJECTIVES

8. The overall objective of the audit was to provide UNEP, Executive Director and the Meetings of Parties of ASCOBANS and EUROBATS with an independent assessment of the adequacy of the process for creation of the 2004 - 2006 and 2007 - 2009 budgets, and to assess whether there was a sound basis for figures shown. This included:

- (a) Reviewing whether adequate guidance and support was in place for budget creation;
- (b) Reviewing the adequacy of internal controls and procedures;
- (c) Assessing compliance with United Nations Regulations and Rules and other circulars; and
- (d) Assessing the integrity of budgetary data for management decision-making.

III. AUDIT SCOPE AND METHODOLOGY

9. The audit focussed on activities for the creation of 2004 - 2006 and 2007 – 2009/10 EUROBATS and ASCOBANS budgets. This included analysis of the roles of UNON, UNEP headquarters and CMS in the creation of the budget and a review and assessment of internal control systems, interviews with staff, analysis of applicable data, and a review of the available documents and other relevant records.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. General Budgetary Arrangements

(a) Roles and responsibilities

10. The OIOS audit conducted in 2004 noted that there was no formal documentation explaining the relationship between the Agreements and other parts of UNEP, in particular the Division for Environmental Conventions, and UNON administration. OIOS was of the opinion that this was necessary, as the text of the Agreements refers to the Agreement Secretariats not as sub-units of CMS, but as separate entities co-located with CMS. UNEP stated that all the Agreement Secretariats were negotiated under CMS Article IV and whilst the Agreement Secretariats have an autonomous, but not fully independent status, this does not apply to the way in which the CMS Article IV Secretariats are managed under UNEP. Rather UNEP manages its responsibilities for CMS and the Article IV Agreements collectively as decided by the Executive Director of UNEP under UNEP's mandate. A recommendation was raised (AA2004/220/02/01) requesting the Executive Director, UNEP to clarify the relationship between the Agreement Secretariats and CMS, UNEP Headquarters and UNON. At the time of the audit, this recommendation was still in the process of being implemented. Given the junior nature of the grades of staff (P3 for ASCOBANS and P4 for EUROBATS) having responsibility for executive management of the Agreements, the clarity on the degree of independence the Agreements have and the degree of managerial responsibility that UNEP can exercise, should be addressed with urgency.

(b) Provision of Services to Agreement Secretariats by CMS

11. The Terms of Reference for Secretariat Arrangements state that ‘the Executive Secretaries to the Agreements will report to the Executive Secretary of CMS for internal administrative matters and communication with UNEP’. OIOS interpreted this to mean that there was a responsibility for the Agreements to liaise with CMS on administrative matters. As a consequence of this, in its last audit, (AA2004/220/02/02) OIOS recommended that to ensure that CMS and its co-located Agreement Secretariats operated efficiently and effectively within the UN environment, the Head of the CMS should sit down with the Heads of the Agreement Secretariats and draw up guidelines outlining the services provided, the respective roles and responsibilities, and enter into discussion on how these services will be provided in accordance with United Nations Regulations and Rules. This recommendation has been implemented and a Service Level Agreement (SLA) has been concluded in January 2005 covering day-to-day administrative matters. OIOS noted, however, that the SLA was silent on who is responsible for issuance of budgeting guidelines, on approval of the budgets before they are presented to the MOP, and on monitoring and control of expenditures. Budgetary matters appear to remain the responsibility of the Executive Secretaries of Agreements, who may request assistance in the preparation, clearance and revision of the budgets as and when they deem it fit. OIOS concluded that the preparation of the budgets to date has largely been left to the discretion of the Executive Secretaries of the Agreements and in the opinion of OIOS this matter should be addressed with urgency.

(c) Basis used for budget preparation

12. The Agreement Secretariats confirmed that they do not use the guidelines which are issued by UNON and Office of Programme Planning and Budget Division, for calculation of personnel costs, because Parties to the Agreements had requested that the budget on personnel costs should be based on the most realistic figures possible, and not the United Nations based standard costs which they regarded as being too high. The basis of the budget preparation is normally historical with personnel costs based on costs of the incumbent officers’ estimated future cost to the organisation. OIOS is of the opinion that the continued use of the incumbents’ actual staff costs exposes the Secretariats to cash flow problems, should staff changes occur during the budgeted period, where the replacement staff have more benefits under the United Nations conditions of service. Therefore, a contingency should be incorporated in the computations to take care of unforeseen events especially in moving to a four-year budget cycle. This would be achieved by use of the United Nations budget guidelines.

13. The current estimation process for non-staff costs seemed to have worked fairly well and the key measure to further improve control is a set of guidelines for each non-staff budget line. The guidelines would help ensure better consistency and can take account of situations where it is anticipated that a change may occur in the budget period.

14. OIOS would therefore urge consideration of adopting United Nations budget guidelines for preparation of Agreement budgets.

Recommendation:

To ensure that the Parties to the Bonn Convention Article IV Agreements can rely on the accuracy and completeness of budgets presented to them, UNEP, in consultation with UNON and the Parties, should prepare budget guidelines covering the budget mechanism to be

followed, and identify the roles and responsibilities for the budget preparation, which include the indication of who would be responsible for checking and approving the draft budget prior to it being sent to the Parties (Rec. 01).

15. *UNEP CMS commented that it will require a collective response led by UNEP HQ in consultation with (or through) UNON. The CMS Secretariat fully supports the need for budget guidelines to be issued centrally.* OIOS notes the response and will close the recommendation upon notification of the outcome of the discussions with UNON and UNEP HQ and a copy of the budget guidelines, or equivalent documentation produced to improve control over budget preparation.

B. EUROBATS

(a) Overall assessment of Budget preparation and performance

16. The budget was created by the Executive Secretary to the Agreement. Initially the budgets covered a three-year cycle. Recently, on an exceptional basis, the Secretariat was requested to prepare a budget based on a four-year cycle to be adopted at the forthcoming Meeting of Parties. The basis of the budget preparation is normally historical with personnel costs based on costs of the incumbent officers' estimated future cost to the organisation.

17. OIOS reviewed the adequacy of the budget methodology and the reasonableness of the figures produced for each budget line. Overall, OIOS concluded that an acceptable methodology had been used, which had involved appropriate consultation with UNON and UNEP throughout the budget preparation period. The figures produced for 2004 – 2006 proved to be reasonable and in line with the budget methodology requested by the Parties. OIOS is satisfied that Parties can place reliance on the budget figures for 2007 - 2010, but with the understanding that the methodology used could result in an understatement because the budget has no contingency built in for unforeseen events. The methodology can thus be strengthened with better budget guidelines.

(b) Budget line 10 - Personnel costs

18. In line with methodology agreed with the Parties, for both the 2004 – 2006 and 2007 – 2010 budgets EUROBATS took as starting point actual known costs in 2003 as well as 2006, and added 3 percent and one step increase per annum right up to 2010. In the opinion of OIOS, the figures represented a reasonable estimate of the actual costs which would be incurred during the period provided there were no staff changes or other unforeseen events. OIOS noted that a stable situation had existed for the budget period in question and the estimate proved to be reasonable with moderate savings of US\$3,354 and US\$13,702 in 2004 and 2005 respectively.

(c) Budget line 1220- Consultancies

19. The methodology used was a best guess, taking into consideration possible areas where consultants might be used in the budget period. The figures proved to be reasonable with minor savings of US\$44 and US\$25 in 2004 and 2005 respectively. OIOS is of the opinion that the current method could be strengthened by maintaining more detailed documentation in the budget working papers detailing where consultants might be used and for what purpose. Such information should form part of the budget guidelines mentioned in recommendation 01 above.

(d) Budget line 1600- Travel on official business

20. The figure was produced by taking the prior year expenditures figure and increasing it by a percentage to take account of inflation. This method is not entirely accurate and resulted in mid-year enhancements which proved to be too large with a consequent saving of US\$3,109 in 2004. The current method could be strengthened by basing the budget on an expenditure estimate for the various types of travel likely to take place in the budget period. Such information should form part of the budget guidelines mentioned in recommendation 01 above.

(e) Budget line 30- Meetings of the Parties and the Advisory Committee

21. The methodology used is the same as official travel. Whilst the expenditure appears reasonable in relation to the budget with breakeven achieved in 2004 and a saving of US\$919 in 2005, this is not a true reflection of the situation. The Secretariat explained that the budget figure is understated on the understanding that extra funds will be sourced from Parties to meet the actual costs, which are usually higher. OIOS is of the opinion that regardless of whether the amount shown in the budget is funded directly as part of the budget or through additional voluntary contributions, a realistic budget figure should be produced for transparency and accountability. Such information should form part of the budget guidelines mentioned in recommendation 01 above.

(f) Budget line 40 - Non-expendable and expendable equipment

22. The starting point was the figure used for the past budget period, adjusted for inflation and anticipated changes in usage, or expected need to replace equipment. The estimate used seems to be reasonable in that there were no cost overruns but moderate savings of US\$266 and US\$175 in 2004 and 2005 respectively. Though not documented, EUROBATS explained that it had a four-year replacement policy for non-expendable computer equipment, which was within what is practiced at UNON Information and Communications Technology Services. UNEP is in the process of looking at this issue so no recommendation is made on the absence of documentation. The basis for replacement of assets should form part of the budget guidelines mentioned in recommendation 01 above.

(g) Budget line 50 - Miscellaneous

23. These include maintenance costs, telephone and fax, bank charges and hospitality. These costs are calculated using the figure for the past budget adjusted for anticipated changes in needs. The estimate proved to be reasonable with moderate savings of US\$371 and US\$1,323 for 2004 and 2005 respectively. OIOS noted that the 2007-2010 figures were not adjusted for inflation and is not convinced that the figures will be sufficient to meet the needs of the Secretariat. The need for an inflation adjustment of such figures should form part of the budget guidelines mentioned in recommendation 01 above.

C. ASCOBANS

(a) Overall assessment of Budget preparation and performance

24. The budget was created by the Executive Secretary to the Agreement. The budgets covered three-year cycles. In 2003, Parties requested the Secretariat to calculate personnel figures based on costs of the incumbent officers' estimated future cost to the organisation.

25. OIOS reviewed the adequacy of the budget methodology and the reasonableness of the figures produced for each budget line. The methodology adopted for the creation of the personnel figures did not result in reasonable figures for the 2004 – 2006 or 2007 – 2009 budgets. This was the cause of cost over-run experienced at the time of the audit for the 2004-2006 budget. There was evidence that the budgets were shared with UNON and UNEP, but nobody picked up the weaknesses in the personnel figures for the 2004 – 2006 budget before it was approved by the Parties. OIOS concluded that this was mainly due to the lack of clarity of roles and responsibilities discussed above and the methodology adopted. Rather than request UNEP or UNON to prepare the budget, ASCOBANS requested information from one party, entered it into the budget and then shared it with another party for checking. The rationale for who was contacted and why they were contacted was not always clear. The nature of the exchanges calls into question the value of having ASCOBANS prepare the budget rather than UNEP directly, with assistance from UNON.

26. For non-staff costs, the figures were largely based on past expenditure, with little supporting documentation for the basis used. The figures for most part proved to be reasonable with both savings and deficits, which could largely be attributed to the methodology being used.

Recommendation

To ensure the accuracy and reasonableness of the personnel costs, UNEP, in consultation with UNON, should produce a revised ASCOBANS budget, for submission to the Parties (Rec. 02).

27. *UNEP CMS commented that, in view of the urgency of the recommendation, the UNEP/CMS AFMO would be requested to draft the budget in consultation with UNON/BFMS and the ASCOBANS Secretariat UNON and UNEP would then sign off on the final version to be sent to ASCOBANS Parties to confirm that the budget estimates were reliable.* OIOS thanks UNEP CMS for the action taken, which it fully supports. OIOS will close the recommendation upon receipt of a copy of the revised ASCOBANS budget.

(b) Budget line 10- Personnel costs – 2004-2006 – creation of budget estimate for P-4

28. The budget figures did not appear to be reasonable. The budgeted figures for the P-4 as per ASCOBANS were US\$82,752, US\$84,480 and US\$86,207 for the years 2004, 2005 and 2006 respectively. The budgeted figures for the same period for CMS were US\$97,000, US\$98,000 and US\$99,000 and EUROBATS US\$96,810, US\$98,654 and US\$100,000.

29. The Parties requested ASCOBANS to calculate the budget based on a realistic estimation of the actual costs, which would be incurred. In the case of ASCOBANS this meant an estimation based on a single person with no family, which accounts for some of differences between the ASCOBANS figure and that of CMS and EUROBATS, which were based on a staff member with dependents. However, there was no evidence that any analysis was undertaken to confirm that a realistic estimate was presented to the Parties. *ASCOBANS commented that the personnel-related budget lines were beyond the influence of the Secretariat. The Secretariat is therefore dependent on figures provided by the AFMU respectively UNON itself, on the correctness of which, Secretariat staff must be able to rely. There was no possibility for the Secretariat to “analyze” the correctness of these figures. The Secretariat states that it drafted the personnel budget lines based on information received from the AFMU but acknowledges that the origin of the documents produced by the Secretariat to support this claim cannot be verified by OIOS.*

30. The Executive Secretary for ASCOBANS stated that the figures in the budget were the figures provided by AFMU. OIOS was provided with a hand written note-and several tables showing the figures entered directly into the budget. The figures were lower than UN standard costs, but it was not clear whether these were figures based on a realistic estimate of actual costs as requested by parties. There was no record of what was requested and who the request was made to and AFMU stated that they had no record of any formal request for provision of personnel cost information. The AFMU officer who may have provided the figures has now retired. The draft budget was sent to UNON with a request to review the budget, but the error in the personnel figures was not picked up. In the opinion of OIOS, the general lack of clarity in roles and responsibilities for administration described earlier, played a major part in why UNON did not spot the understatement. Consultation took place, but if complete reliance was going to be placed in the figures, without any additional checks, then ASCOBANS should have confirmed in advance with AFMU, who should be consulted locally and in UNON. Given the approach adopted, it is not clear to OIOS why ASCOBANS, did not request UNON or UNEP to prepare the budget on its behalf. Implementation of recommendation AA2004/220/02/01 and AA2006/220/04/01 will address this issue.

(c) Budget line 10- Personnel costs – 2004-2006 – Cost Overrun

31. In the opinion of OIOS, the underestimate of the figures (base salary and post adjustment) led to cost overruns for the P-4 budget line of US\$11,300 for 2004, and US\$14,059 for 2005. The ASCOBANS Secretariat stated that the cost overrun in the P-4 budget line was largely due to the substantial increase in the post adjustment over the sum calculated in 2003. OIOS agrees that part of the difference can be attributed to changes in the post adjustment, but it does not account for the whole difference.

32. There was also a cost overrun for the Secretary of US\$5,900 for 2004 and US\$8,500 for 2005. ASCOBANS explained, and OIOS confirmed, that this overspend was due to exchange rate differences.

33. The total cost overruns on the personnel budget line at the time of the audit were significant enough to result in the budget line being exhausted before the year end, and to have a serious impact on the overall budget. The budget estimate was for a P-4, but the overruns are against the P-3, further emphasising the underestimation of the original budget.

34. Whilst there is a provision for UNEP CMS to cover salary costs related to timeliness of contribution, this is not the situation in this case. In the opinion of OIOS, this means that Parties will need to consider use of reserves and fund balances to cover overrun on the total budget estimated to be around US\$77,000, by the end of 2006, assuming a similar spending pattern as was experienced in the first six months of the year.. ASCOBANS informed OIOS that it will request immediate approval from the Parties to utilise the reserves and fund balances which were US\$126,000 as at 30 June 2006.

35. Despite the overruns in 2004, there was no evidence of ASCOBANS requesting any analysis of the impact on its budget for 2005-2006, to determine whether spending on other budget lines needed to be curtailed to help meet the overspend. In January 2006, the Executive Secretary, CMS requested both the AFMU and the Executive Secretary, ASCOBANS to prepare two ASCOBANS budgets with the worst and best case scenarios for 2006. The figures were not produced and Executive Secretary, ASCOBANS assured the Executive Secretary, CMS that he was confident that no cost overruns would arise during the course of 2006 with the existing

budget and that there was therefore no urgent need to approach ASCOBANS Parties to seek further resources. The size of the overrun is due to a lack of forward planning on the part of ASCOBANS and UNEP, which is linked to the lack of clarity in roles and responsibilities which was referred to earlier and will be addressed by implementation of recommendations AA2004/220/02/01 and AA2006/220/04/01. *ASCOBANS Secretariat commented that it informed Parties at each Advisory Council of the overspend occurring and was never instructed to curtail expenditures – which may be due to the fact that the ASCOBANS budget offers few possibilities to curtail expenditures if the Secretariat is to remain operational. ASCOBANS Secretariat inquired as to the reason for the overspend with the AFMU and was correctly-informed that this was due to the Euro-Dollar exchange rate.*

(d) Budget line 10- Personnel costs – 2007-2009

36. OIOS was unable to substantiate the reasonableness of the figures used for the first or the second draft of 2007 -2009 budget. The first draft was based on figures taken from the medium term plan, which was prepared using the same hand written note and papers used for the 2004-2006 Budget. Given that there was already an overrun against the P-3 it is not clear why these figures were used. This draft was sent to UNON for comment, but with no supporting documentation explaining the basis to enable UNON to comment. The Executive Secretary, ASCOBANS, simultaneously circulated this version to the Advisory Committee, but then withdrew it because he realised that the personnel costs appeared too low. At the request of ASCOBANS, UNON provided updated personnel figures, which were entered directly into the budget without any modification, even though there was no information with the figures explaining where they came from and whether they needed to be adjusted. Of particular interest to the parties was the lack of detailed analysis of the huge increases in personnel costs between the initial and the subsequent submission. *ASCOBANS explained that they inquired from UNON who should be approached about this issue and approached the person that was named to contact. He in turn provided an email containing the figures to be used, clearly stating that they were based on UN Salary Scales and explaining in detail the method by which the final sum was arrived at.* In the opinion of OIOS, ASCOBANS made the same mistakes as in 2004 – 2006 budget, by placing reliance on figures without checking and confirming with CMS who should be consulted and ensuring receipt of proper documentation for the figures used in line with methodology requested by the Parties. The lack of clarity of roles and responsibilities is once again at the heart of the problem, which will be addressed by implementation of recommendations AA2004/220/02/01 and AA2006/220/04/01.

(e) Budget line 1220- Consultancy

37. The methodology used was a best guess taking into consideration past usage. The figures proved to be reasonable with a minor savings of US\$520 and US\$891 in 2004 and 2005 respectively. Whilst the estimates proved to be reasonable, OIOS would have expected the figure to be supported by details of where consultants might be used and for what purpose, and suggests that such information should form part of the budget guidelines mentioned in recommendation one above.

(f) Budget line 1600- Travel on official business

38. The figure was produced by taking the prior year expenditures figure and increasing it by 8 per cent. The calculations yielded a deficit of US\$164 in 2004 and a saving of US\$1,963 in 2005. These types of differences can partly be attributed to the cost methodology in use. The current method could be strengthened by including a range of types of travel, which might take

place in the budget period, and producing a figure based on past experience on what the amount should be against the type. Such information should form part of the budget guidelines mentioned in recommendation 01 above.

(g) Budget line 3999- Meetings of the Parties and the Advisory Committee

39. The methodology used was an estimate based on past expenditures. The estimates yielded a saving of US\$210, in 2004 while there was a deficit of US\$1,904 in 2005. These types of differences can partly be attributed to the cost methodology in use, but there was no documentation explaining the basis for the figures. OIOS would have expected details of all the planned meetings and the associated costs to support the figures shown. This should form part of the guidelines mentioned in recommendation 01 above.

(h) Budget line 4999-Non expendable and expendable equipment

40. The figure was a best guess taking into consideration past and anticipated usage. The computations proved to be reasonable in that there were no cost overruns but moderate savings of US\$973 and US\$2,653 in 2004 and 2005 respectively. Whilst no problems were noted, the basis for replacement of assets should form part of the budget guidelines mentioned in recommendation 01 above.

(i) Budget line 5999 – Miscellaneous costs

41. These include maintenance costs, telephone and fax, bank charges and hospitality. Secretariat explained that these costs are, like others, based on past experience. These costs are calculated using the figure for the past budget adjusted for anticipated changes in needs. The estimate proved to be reasonable with moderate savings of US\$973 and US\$4,499 for 2004 and 2005 respectively. OIOS noted that the 2007-2009 figures were not adjusted for inflation and it is not convinced that the figures will be sufficient to meet the needs of the Secretariat. The need for an inflation adjustment of such figures should form part of the budget guidelines mentioned in recommendation 01 above.

V. FURTHER ACTIONS REQUIRED ON RECOMMENDATIONS

42. OIOS monitors the implementation of its audit recommendations for reporting to the Secretary-General and to the General Assembly. The responses received on the audit recommendations contained in the draft report have been recorded in our recommendations database. In order to record full implementation, the actions described in the following table are required:

| Recommendation No. | Action Required |
|--------------------|--|
| Rec. 01 | Notification of the outcome of the discussions with UNON and UNEP HQ and a copy of the budget guidelines, or equivalent documentation produced to improve control over budget preparation. |
| Rec. 02 | Receipt of a copy of the revised ASCOBANS budget. |

VI. ACKNOWLEDGEMENT

