



AUD II-7-4:4(AE98/05)

20 April 2005

TO: Ms. Louise Arbour
High Commissioner for Human Rights

FROM: Egbert C. Kaltenbach, Director
Internal Audit Division II
Office of Internal Oversight Services

SUBJECT: **OIOS Audit of the Office of High Commissioner for Human Rights
Use of UN Office for Project Services (AE2004/355/01)**

1. I am pleased to submit the final Audit Report on the audit of the Office of High Commissioner for Human Rights Use of UN Office for Project Services, which was conducted between July and October 2004 in Geneva by Ms. Anne Murphy and Ms. Sophie Deflorin.
2. A draft of the report was shared with the Deputy High Commissioner, OHCHR, the Regional Director, UNOPS Geneva Office and the Chief of Financial Resources Management Services, UNOG, on 2 February 2005 whose comments, which were received on 1 March and 28 February 2005, are reflected in the final report.
3. I am pleased to note that all of the audit recommendations contained in the final Audit Report have been accepted and that the Office of the High Commissioner for Human Rights has started to implement them. After a review of the comments from all parties, OIOS revised Recommendation no. 05 of the draft Audit Report. The table in paragraph 44 of the report identifies those recommendations, which require further action to be closed. I wish to draw your attention to recommendations 01 and 02, which OIOS considers to be of critical importance.
4. I would appreciate if you could provide me with an update on the status of implementation of the audit recommendations not later than 31 May 2005. 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. You may also wish to share this final Audit Report with UNOPS.
5. 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 and return it to me.
6. Thank you for your cooperation.

Attachment: Client Satisfaction Survey

cc: Ms. C. Bertini, Under-Secretary-General for Management (by e-mail)
Mr. S. Goolsarran, Executive Secretary, UN Board of Auditors
Mr. T. Rajaobelina, Deputy Director of External Audit (by e-mail)
Ms. M. Khan Williams, Deputy High Commissioner, OHCHR (by e-mail)
Mr. B. Juppín de Fondaumière, Director, Division of Administration, UNOG (by e-mail)
Ms. Kathryn Hinkle-Babul, Audit Focal Point, OHCHR (by e-mail)
Mr. M. Tapio, Programme Officer, OUSG, OIOS (by e-mail)
Ms. C. Chávez, Chief, Geneva Audit Section (by e-mail)
Ms. A. Murphy, Auditor-in-Charge (by e-mail)
Mr. D. Tiñana, Auditing Assistant (by e-mail)



**United Nations
Office of Internal Oversight Services
Internal Audit Division II**

A large, stylized globe graphic with a light blue background and green landmasses, centered behind the main title text.

Audit Report

**Audit of the Office of High Commissioner for
Human Rights Use of UN Office for Project Services
(AE2004/335/01)
Report No. E05/R04**

- **Report date: 20 April 2005**
- **Auditors: Ms. Anne Murphy
Ms. Sophie Deflorin**

UNITED NATIONS



NATIONS UNIES

Office of Internal Oversight Services
Internal Audit Division II

OIOS AUDIT OF OHCHR USE OF UN OFFICE FOR PROJECT SERVICES
(AE2004/355/01)

EXECUTIVE SUMMARY

From July to October 2004, OIOS conducted an audit of the Office of High Commissioner for Human Rights Use of UN Office for Project Services (UNOPS). The audit covered activities with a total expenditure of \$24 million in 2003 and 2004. *OHCHR has accepted the recommendations made and is in the process of implementing them.*

Memorandum of Understanding

- At the time of the audit, UNOPS was managing six field offices on behalf of OHCHR under a Memorandum of Understanding. UNOPS still retained a fund balance of between \$0.8 million and \$1.4 million to pay for past expenditures of “global projects”, which UNOPS had previously managed and which reverted to OHCHR in 2003. *As OIOS recommended, OHCHR requested UNOPS to provide updated accounts for all UNOPS-managed global projects and agreed to inform UNOPS on the future use of any remaining balances from global projects. UNOPS will respond to any request by OHCHR to finalise and confirm the remaining fund balance of the global projects previously managed by UNOPS.*
- No formal performance indicators existed. OHCHR instead relied on a matrix of OHCHR and UNOPS responsibilities for the various functions. Such a tool, however, is not a substitute for performance indicators. OIOS reiterates its previous audit recommendation that performance indicators be established. *OHCHR will agree with UNOPS on the indicators to be used to determine performance. UNOPS agreed to join OHCHR in establishing performance indicators to monitor agreed outputs or review arrangements as planned in the MOUs.*

Financial and Accounting Arrangements

- OHCHR used operating reserves in case of funding shortfalls, claiming that the UN Controller had verbally endorsed this practice. Both UNOG and the UN Controller clarified to OIOS that the use of operating reserves had only been approved on an exceptional basis and for a specific case. *OHCHR agreed to seek written confirmation from UNOG under which circumstances cash balances can be temporarily transferred from one project to another. OHCHR should ensure that UNOPS uses funds only for their specific purpose within the allocation.*

- It was unclear how contingent liabilities, which may result from early termination of ‘Activities with Limited Duration’ contracts of UNOPS staff for service in OHCHR projects, would be covered. *OHCHR committed to agree with UNOG and UNOPS on ways to cover these contingent liabilities.*
- UNOPS did not always provide reliable or timely information to OHCHR. UNOPS attributed this partly on its conversion to a new financial information system as of January 2004. However, this lack of financial information has been a problem since the first MOU in 1998. The lack of financial information and inconsistent financial information affected OHCHR’s planning and forecasting. OHCHR, however, also did not submit certified financial reports to UNOG on time. *UNOPS stated that it had taken measures to improve its reporting ability, but UNOG commented that the delay in financial reports still persisted. OHCHR requested UNOPS to submit the final certified 2004 financial statements by 31 March 2005 and resume regular reporting as of March 2005. OHCHR should follow up with UNOPS on timely financial reports and should certify and submit them to UNOG without delay.*

Arrangement of UNOPS Recruited Personnel

- UNOPS believes that staff if recruited for OHCHR projects are to be considered as internal candidates for purposes of recruitment and promotion to UN Secretariat posts, because OHCHR selected the candidate. OIOS concurs with UNOG’s position that staff members holding UNOPS Letters of Appointments are not internal candidates when applying for UN posts. *OHCHR replied that UNOPS recruited staff members would be informed of their status as external candidates.*

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I. INTRODUCTION

1. From July to October 2004, OIOS conducted an audit of the OHCHR's Use of UN Office for Project Services. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
2. OHCHR is committed to strengthening the United Nations human rights programme and providing support to the United Nations treaty monitoring bodies and special mechanisms established by the Commission on Human Rights. It provides advisory services and technical assistance when requested, and encourages governments to pursue the development of effective national institutions and procedures for the protection for human rights. OHCHR has established over 20 field presences to ensure that international human rights standards are progressively implemented and realized at the country level, both in law and practice.
3. UNOPS is an arm of the United Nations, which provides project management services where the UN has a mandate. Services may include selecting and hiring project personnel, procuring goods and services, organizing training and managing financial resources.
4. OHCHR has been reviewed a number of times over the past few years including by OIOS, the Joint Inspection Unit and the Board of Auditors. As part of the current audit, OIOS looked at previous recommendations to determine whether they had been or were in the process of being implemented by OHCHR
5. The audit findings and recommendations contained in this report were discussed at the Exit Conference held on 28 October 2004 with the Deputy High Commissioner and with the Chief and staff of the Administrative Section, OHCHR. OIOS also held separate meetings with pertinent UNOPS and UNOG officials on 2 December 2004 and facilitated a tripartite meeting among officials of OHCHR, UNOPS and UNOG on 3 December 2004. A draft of the report was shared with the Deputy High Commissioner, OHCHR, the Regional Director, UNOPS Geneva Office and the Chief of Financial Resources Management Services, UNOG, on 2 February 2005 whose comments, which were received on 1 March and 28 February 2005, are reflected in the final report in italics. *OHCHR has accepted all of the recommendations made and is in the process of implementing them.*

II. AUDIT OBJECTIVES

6. The main objectives of the audit were to determine:
 - (a) Compliance with the terms of the current Memorandum of Understanding (MOU);
 - (b) Reliability of financial and accounting information;
 - (c) Compliance with UN regulations and rules; and
 - (d) Satisfactory performance of services by UNOPS.

III. AUDIT SCOPE AND METHODOLOGY

7. The scope of the audit covered the most recent financial statements for 2003, interim financial reports for 2004 and the current MOU. While OIOS reviewed on a test basis the terms of the MOU, financial and accounting arrangements and project personnel relative to the services rendered, OIOS focused on financial issues because of problems OIOS identified early on in the audit. According to OHCHR's 2003 annual report, activities implemented through UNOPS totaled \$11.5 million in expenditure. Total funds available were \$12.5 million. For 2004, the six-monthly interim statements as of 30 June 2004 were not available. Instead, UNOPS presented financial information up through 31 August 2004 on a project-by-project basis for both field presences and the global projects. This financial information showed total expenditure of \$12.5 million and total cash funds available of \$11.7 million.

8. The audit activities included a review and assessment of internal control systems, interviews with relevant staff of OHCHR at Geneva, United Nations Office at Geneva (UNOG), and UNOPS, a review of relevant documents and analyses of applicable data. The audit reviewed the current MOU to determine whether it included adequate language identifying the services to be provided, funding mechanisms, and performance indicators or other qualitative criteria.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

Overall Assessment

9. Based on the audit, OIOS concluded that financial management controls needed to be improved by UNOPS and OHCHR. UNOPS needs to provide more timely and reliable financial information to OHCHR and OHCHR should strive to fill any vacant finance/administrative posts. Further, since several entities are involved in or impacted by the MOU, the risk of misinterpreting or misunderstanding of facts or information is increased. Consequently, OIOS believes all should make an effort to ensure that the terms of the MOU and concomitant responsibilities are understood and adhered to. The officials present at the OIOS facilitated tripartite meeting resolved several of these issues.

A. Memorandum of Understanding

(1) Terms

10. OHCHR and UNOPS first entered into a MOU in 1998. The MOU was an interim agreement, pending completion of a joint evaluation by OHCHR and UNOPS. The interim MOU subsequently was revised and incorporated certain recommendations that had been made in a previous OIOS audit (AM/1999/128/1, Management Audit of OHCHR Headquarters Administration). The most current MOU dates from 20 May 2003 and outlines broad services that UNOPS can provide including:

- (a) Management of implementation of OHCHR project operations in the field;
- (b) Recruitment process and administration of project personnel;
- (c) Contracting of consulting firms and contractors for services and works;
- (d) Procurement of equipment, supplies and commodities; and
- (e) Implementation of training activities and fellowships.

11. UNOPS currently manages six field offices on behalf of OHCHR. They are Angola, Burundi, Bosnia and Herzegovina, Colombia, Democratic Republic of Congo, and Serbia and Montenegro (FRY). At the time of our fieldwork, a seventh field office, in Sudan, was imminent. We were told that during the period under audit, operations in Croatia and the Solomon Islands had been closed and that Iraqi activities had been suspended.

(2) Global projects

12. UNOPS had also managed so called global projects which OHCHR said had in the meantime been transferred to UNOG. UNOPS still retains the fund balance of these global projects, which as of 30 August 2004, was estimated to be between \$0.8 million and \$1.4 million. However, UNOPS had not been formally authorized to retain the balances of the global projects. UNOPS wanted to keep the global projects balance, not for operational purposes, but rather as a cushion to pay for past expenditures that are only being charged now, e.g., salaries from 2002 being charged in 2004. UNOPS also wanted to retain the balance in case a shortfall occurred.

13. The fact that at the end of 2004, the fund balance of the global projects which reverted to OHCHR in 2003, was not even roughly known, confirms certain weaknesses in UNOPS' financial reporting. Furthermore, it is difficult to understand that salaries and other cost incurred in 2002 continue to be charged to the projects throughout 2004. As a matter of priority, UNOPS needs to determine the exact fund balance of the global projects. Concerning the use of such balance as a reserve for future cash shortfalls, OIOS does not have a problem with this, as long as OHCHR has formally agreed to such use, for example, in form of a rider to the current MOU.

Recommendation:

- The Administrative Section, OHCHR should request UNOPS to determine the remaining fund balance of the global projects previously managed by UNOPS and agree with UNOPS on its future use (Rec. 01).

14. *OHCHR accepted the recommendation and requested that UNOPS provide updated accounts for all UNOPS-managed global projects. OHCHR stated they expect to receive the final certified accounts from UNOPS by 31 March 2005 as specified in the MOU. OHCHR agreed to inform UNOPS on the future use of any remaining balances from global projects, as soon as they have been established. UNOPS replied that they would always respond to any requests by OHCHR to finalise and confirm the remaining fund balance of the global projects previously managed by UNOPS. OIOS will record this recommendation as implemented when it receives from OHCHR a copy of the final certified accounts by 31 March 2005 and information on the use of remaining balances for global projects.*

(3) Performance indicators

15. OHCHR and UNOPS had not established formal performance indicators to monitor agreed outputs or review arrangements as planned in the Mouse. Annex 1 of the MOU identified a matrix or distribution of responsibilities of the various functions for OHCHR and UNOPS. While OIOS believes this matrix is useful, it is not a substitute for performance indicators.

16. An OIOS review performed in 2001 recommended that UNOPS establish metrics in order to measure performance. During the current audit, UNOPS, when asked for support of more responsiveness in hiring and putting staff on the ground provided anecdotal information about its quickness in hiring staff, but nothing to substantiate this. OIOS is not questioning whether UNOPS did and does place staff within a minimal time period, but believes that more “formal” documentation (even a spreadsheet with timelines) would be beneficial. OIOS reiterates its recommendation made in an earlier audit report that performance indicators be established.

17. The scope of the audit did not include site visits to field offices managed by UNOPS under this MOU. Consequently, OIOS did not assess the efficiency and effectiveness of the operations and services provided in the field. However, the MOU calls for an annual joint review of the efficacy and efficiency of the arrangement entered into by OHCHR and UNOPS. OIOS was told that a joint evaluation exercise was to be undertaken, but had to be postponed due to unforeseen circumstances. It is envisioned that this exercise will still take place. An assessment, using objective criteria, e.g. performance indicators, would help both OHCHR and UNOPS to identify areas for improvement as well as areas in which UNOPS performed well. OIOS recommends that this joint evaluation exercise, which is a requirement of the MOU, be taken as soon as practicable.

Recommendation:

- The Administrative Section, OHCHR should agree with UNOPS on performance indicators for the services to be provided by UNOPS and ensure that they are regularly monitored to measure UNOPS’ performance against agreed outputs and arrangements under the MOU (Rec. 02).
- The Administrative Section, OHCHR should arrange for the required joint evaluation with UNOPS as soon as practicable (Rec.03).

18. *OHCHR accepted both recommendations and stated that they would agree with UNOPS on the indicators to be used to determine performance. In addition, OHCHR also plans to hold a joint review with UNOPS during 2005. UNOPS agreed to join OHCHR in establishing performance indicators to monitor agreed outputs or review arrangements as planned in the MOUs. UNOPS confirmed that a joint evaluation was being prepared with a target date of May 2005. OIOS will record Recommendations 02 and 03 as implemented when it receives from OHCHR a list of performance indicators and confirmation of the joint evaluation review that has taken place.*

(4) Support costs

19. According to the MOU, OHCHR shall pay UNOPS support costs at a rate of 8 per cent of project expenditures implemented by UNOPS. The MOU and the supporting materials are silent on how the rate of 8 per cent was arrived at. Since OHCHR has not done a cost analysis to determine the appropriateness of the current rate that UNOPS charges, OHCHR needs to review the UNOPS rate along with the rate that UNOG plans to charge for their own services.

Recommendation:

- The Administrative Section, OHCHR should review the

appropriateness of the UNOPS programme support costs rate of 8 per cent (Rec. 04).

20. OHCHR agreed to request UNOPS to indicate what is covered by the 8 per cent management fee. OHCHR stated that the overall issue would be dealt within a broader forum involving UNOG and UNHQ in the context of trust fund reform. UNOPS welcomes the principle of periodic reviews. OIOS will record Recommendation 04 as implemented when it receives from OHCHR a copy of the results of the review of the rate of programme support cost charged by UNOPS.

B. Financial Accounting Arrangements

(1) Funding mechanism

21. In terms of funding mechanisms, UNOPS management raised the issue of whether UNOPS could revert to its earlier practice whereby it received funds directly from donors. UNOPS used to receive contributions directly from donors for UNOPS-administered projects, bypassing the UNHQ/UNOG treasury offices and accounting records. Following the instruction of the UN Controller in a memorandum dated July 1998 and an OIOS audit recommendation, donations have been placed in UN trust funds specified for human rights activities.

22. UNOPS reasoned that if funds went directly to UNOPS, the funding process might be expedited. When a funding delay occurs, it can affect the project implementation. However, there have been various reasons for delays in funding. A previous OIOS audit of UNOG-administered trust fund contributions determined that one reason was UNOG's delay in crediting funds to the appropriate account. During the current audit, UNOG informed OIOS that contributions are recorded, in most cases, on the same day that the implementing office, i.e. OHCHR, confirms how the contributions are to be credited. UNOG concluded that no time lag exists relating to the funding problems of UNOPS. Another reason for the funding delay was the failure of UNOPS to provide timely financial reports to OHCHR, which in turn delayed transmittal of certified financial information to UNOG for recording purposes. Consequently, UNOG may stop the release of funds until proper financial information is received.

(2) Borrowing of funds

23. OHCHR told OIOS that it tries to retain a reasonable carry-over of funds from the preceding year as a cushion. According to OHCHR, the Controller and UNOG has agreed to the use of operating reserves in case of shortfalls. OIOS discussed this with the UN Controller on 10 November 2004, who stated that this endorsement would only have been done on an exceptional basis. *Furthermore, UNOG claims that they agreed to use operating reserves on an exceptional basis in the case for the extension of contracts for 25 international staff working for the OHCHR Colombia Office from the period of 1 July to 31 December 2004.*

24. During the audit, UNOG stated that a transfer of cash is normal between projects when there are small unspent balances that could be offset over further remittances. UNOG continues to affirm that cash balances cannot be transferred from one project to another and that UNOPS should only incur expenditures based on the authorized allocations issued for the project.

25. UNOPS told OIOS that it will “borrow” against the global projects where necessary to implement services in the field. Since UNOPS does not consider what it is doing as borrowing, but actually as cash management, there are no accounting entries tracking this. UNOPS views OHCHR money as fungible and regards funds for the field and the global projects as the same. UNOPS stressed that it would not borrow from other clients to subsidize OHCHR projects. UNOPS believes that borrowing against a reserve should be acceptable as long as the reserve is adequate and donor pledges have already been made. OIOS agrees with UNOG that *if financial commitments are maintained within the authorized allocation, there should be no need to use balances from other projects.*

(3) Blocking of funds for salaries

26. There has been some confusion and some disagreement, whether funds required to cover salaries and other staff costs may or must be obligated at the beginning of the project or otherwise set aside. According to OHCHR (memorandum from the Chief, Administrative Section, OHCHR, dated 23 November 2004), UNOPS had the “practice of blocking funds for the entire duration of an ALD [Activities of Limited Duration] contract leaving very limited funds for activities in the 1st and 2nd quarters”. This would mean, for example, if a project had a total budget for salaries of \$120,000, the full amount would be blocked immediately, even though salaries are paid on a monthly basis and actual cash would not be required until later in the year. Given that about 80 percent of UNOPS expenditure is salary-related, a practice of blocking the full amount of staff cost could indeed disrupt smooth implementation of the projects. UNOG held the view that UN Financial Rules do not require obligating salaries.

27. Since UNOPS Activities of Limited Duration (ALD), in accordance with Staff Rule 309.4, do not foresee the payment of termination indemnity, the main contingent liability that could arise, if an appointment had to be terminated because of a funding shortfall, would be 30 days salary in lieu of notice. In the view of OIOS, if no other provision has been made, this liability could be covered from the operating reserve.

28. At the tripartite meeting, the issue of blocking funds was discussed. It was decided that this practice would be reviewed further by the interested parties in order to resolve the problem. Subsequently, the Regional Director, UNOPS wrote that “in accordance with the UN practice...the official financial report issued by UNOPS Finance does not show obligations [for] (payroll) costs for international staff recruited under the 100, 200 and 300 series of the UN staff rules. ...the official financial reports show the most up-dated information from the official UNOPS ledger including, normally, the last payroll payments of the month preceding the date of issue of the report.” OIOS reiterates that the three parties involved need to agree on how contingent liabilities resulting from early termination of ALD contracts would be covered.

Recommendations:

- The Administrative Section, OHCHR should ensure that UNOPS uses funds in accordance with the authorized allocation and should seek written clarification from the Financial Resources Management Service, UNOG, under which circumstances cash balances can be temporarily transferred from one project to another (Rec. 05).
- The Administrative Section, OHCHR should seek confirmation from the

Financial Resources Management Service, UNOG that contingent liabilities in case of early termination of ALD contracts of UNOPS staff members working on OHCHR projects will be covered by the operating reserve or should authorize UNOPS to set aside projects funds accordingly (Rec. 06).

29. OHCHR agreed to seek written confirmation from UNOG on the circumstances leading to cash balances being temporarily transferred from one project to another. OIOS will record Recommendation 05 as implemented when it receives from OHCHR a copy of this written clarification. OHCHR accepted that most OHCHR international staff in the field would no longer be on UNOPS/ALD contracts. For those who remain on ALD contracts, OHCHR, UNOPS and UNOG will agree on how to cover any possible contingent liabilities in the event of early termination. OIOS will record Recommendation 06 as implemented upon receipt from OHCHR of a copy of a document showing how any contingent liabilities arising from early termination of ALD contracts could be covered.

(4) Financial statements

30. The MOU, requires four specific categories of financial reports which UNOPS shall submit to OHCHR: (1) project specific monthly financial reports reflecting expenditures by budget line by the 10th of the succeeding month; (2) project specific interim yearly financial reports by budget line by the succeeding January; (3) final official yearly financial report reflecting expenditures by budget line by the succeeding April and (4) six-month financial statements on the status of the total funds received from OHCHR, expenditures and unspent balance.

(a) Problems in receiving timely financial information

31. OHCHR is to certify the six-monthly statements and submit them to UNOG, but there have been problems concerning this action. For example, UNOG did not receive the 30 June 2004 certified statements until early November 2004. Further, in July 2001, the Controller instructed UNOG to withhold remittances to UNOPS. OHCHR informed OIOS that it had problems receiving financial statements on time or getting sufficiently detailed financial statements, such as monthly disbursements reports or else received reports that were inconsistent from one period to the next. OIOS was told part of the problem was UNOPS' conversion to a new financial reporting system in January 2004. OHCHR said that lack of consistent, reliable financial information affects their planning and forecasting. OHCHR also is deeply concerned that it is being held accountable for UNOPS' reporting failures.

32. In discussions with UNOG, OIOS learned that the UNOPS, New York Office had submitted the six-monthly statements for the period ended 30 June 2004 to OHCHR by at least 30 July 2004. According to OHCHR, there was misunderstanding, as they did not submit statements to UNOG due to confusion over the required format.

33. During the tripartite meeting, UNOG stated that it would be satisfied if OHCHR submitted the six-month and year-end statements in a timely, as required by the MOU. OHCHR requested UNOPS to provide consistent financial information that would allow it to assess its financial position. UNOPS has agreed to provide, besides the four financial reports stipulated in the MOU between OHCHR and UNOPS, monthly financial reports reflecting information from UNOPS' official ledger. Although all parties at the tripartite meeting had

agreed to resolve the issue on the timeliness and adequacy of financial reporting, *UNOG in their comments on the draft Audit Report, stated that the delay of submission of financial reports still persists. UNOPS stated that they were committed to provide timely financial reports and that they had taken appropriate measures to improve their reporting ability. OHCHR requested UNOPS to resume regular reporting as of March 2005.* OHCHR should follow up with UNOPS to ensure timely issuance of financial reports and should certify and submit them to UNOG without delay dispatch. OIOS will follow up on this issue in the planned audit of OHCHR financial administration in 2005.

(b) Discrepancies in financial reports

34. In an earlier audit, OIOS noted that financial information from UNOPS was lacking for almost two years. For example, as of 30 November 1999, sixteen months after the 1998 MOU took effect; UNOPS had not submitted any monthly statements of project expenditures to OHCHR. Consequently, it was impossible tracing the funds provided to UNOPS for human rights activities from initial receipt to final disbursement. While UNOPS had improved by virtue of the fact that reports were made, detailed information was not always available or was not always precise. From the reports OIOS had seen, some numbers related to the global projects were estimated. Further, OIOS received two versions of the final 2003 report; one from UNOPS New York and the other from the Annual Report and the numbers did not match. However, OHCHR said that the final statements produced by UNOPS New York may be revised by OHCHR and which may explain the discrepancies. These statements are the ones certified by OHCHR and submitted to UNOG. OIOS had been concerned that UNOG, which is copied on the UNOPS-prepared statements by UNOPS, would enter data into IMIS that may not actually be the final data. UNOG said that it only entered data that was certified by OHCHR and wanted copies of statements directly from UNOPS, in order to know that the statements were available.

35. The New York Office of UNOPS prepares the six-month and full-year financial statements, which include the remittances and expenditure of the field and the global operating projects. The scope of our audit did not allow a site visit to the field, therefore, OIOS cannot conclude whether the expenditure is reported properly and made in accordance with appropriate rules. It is OHCHR's responsibility to ensure that all expenditure is properly documented and incurred in accordance with proper financial controls. The expenditure, upon which the 8 per cent support cost to UNOPS is based, is incurred by UNOPS. Although AIEs (authority to incur expenditure) are issued, the detailed supporting documentation is kept in the field by UNOPS. Since there is no independent verification of this expenditure by OHCHR, it should consider arranging for spot checks of the documents to verify the accuracy of UNOPS financial information, such as inclusion of that function in OHCHR HQ field inspections. This arrangement could be added to the MOU.

(5) Delegation of authority

36. Problems in financial management of UNOPS administered projects may affect OHCHR's request for delegation of authority to manage its own trust funds. Currently, UNOG has the ability to intervene if financial information is not forthcoming, which acts as a control. However, the fact that the amount of the existing global projects transferred to UNOPS and its use could not be readily ascertained, is cause for concern. OIOS appreciates that the status of the global projects will be reviewed, as agreed by the parties at the tripartite meeting.

Recommendation:

- The Administrative Section, OHCHR, should arrange for spot checks of field expenditures of UNOPS administered projects in order to verify their accuracy (Rec. 07).

37. OHCHR *agreed with the recommendation to monitor expenditures of UNOPS administered field offices and to undertake spot checks in the field.* OIOS will record this recommendation as implemented when it receives information on how OHCHR will monitor expenditures in the field offices and the outcome of spot checks carried out in the field.

C. Arrangement of Project Personnel

(a) Staffing

38. OIOS was told a primary reason an entity would use UNOPS is its flexibility in hiring staff. UNOPS can provide ALD contracts, which do not require a break in service after eleven months. A break in service can be disruptive to OHCHR's programmes. While OHCHR is involved in the selection of candidates, the Letters of Appointment are issued by UNOPS, who legally is the staff members' employer. UNOPS, OHCHR and UNOG have diverging views on the status of such UNOPS staff, recruited for work in OHCHR operations. This uncertainty about the staff members' status can affect staff morale as well as UNOPS' ability to engage staff.

39. UNOPS maintains that such staff members are to be considered as internal candidates for recruitment and promotion purposes for UN Secretariat posts. The Regional Director, UNOPS said that the status of staff within the UN career pattern depends exclusively on the nature of the process leading to their recruitment. He argued that the selection process is the controlling factor in determining whether one is considered internal or external. Since OHCHR proposes the candidate to UNOPS, with UNOPS handling the rest of the process, UNOPS believes that such a candidate is internal, irrespective of which UN entity administers their contracts.

40. OIOS discussed the issue of internal candidacy with the UNOG Director of Administration, and the UNOG Acting Chief, Human Resources Management Service, who stated that staff with UNOPS contracts are not considered internal candidates because they have not gone through the UNOG recruitment and promotion processes. According to OHCHR staff, they also do not consider UNOPS staff internal candidates for OHCHR posts. A 2002 ruling by OLA/OHRM clarified that, "should the posts encumbered by staff working in the Office of the High Commissioner for Human Rights under UNOPS letters of appointment be advertised in accordance with the provisions of ST/AI/2002/4 [which defines the expression internal candidates], these staff members would be considered external candidates, and would have to compete with internal candidates whose applications would be transmitted earlier than those of external candidates".

41. OIOS shares the view that staff, who do not hold a UN Letter of Appointment, are not internal candidates, when applying for UN posts, regardless of OHCHR's involvement in the selection process. Otherwise, the requirements and procedures of the UN staff selection

system could be circumvented. OIOS wishes to point out, however, that women staff members serving with other entities of the UN common system, may under certain conditions have the same eligibility to apply for positions as internal candidates (ST/AI/2002/4, Section 5.5 (b) (ii)).

Recommendation:

- The Administrative Section, OHCHR, should request UNOPS to inform current and newly recruited UNOPS staff members working for OHCHR about their status as external candidates, when applying for posts in the UN (Rec. 08).

42. OHCHR agreed with the recommendation and stated that in the future UNOPS would only employ project personnel or staff for short-term missions, who would be informed of their status as external candidates. OIOS will record this recommendation as implemented when it receives from OHCHR a copy of information that UNOPS provides to project personnel or staff for short-term missions on their status as external candidates when applying for posts in the UN.

V. FURTHER ACTIONS REQUIRED ON RECOMMENDATIONS

43. 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:

Rec. no.	Action/document required to close the recommendation
1*	Copy of the final certified accounts by 31 March 2005 and information on the use of the remaining balances for global projects.
2*	List of performance indicators to be used to determine performance.
3	OHCHR to confirm to OIOS when a joint review with UNOPS has taken place in 2005.
4	Copy of the results of the review of the rate of programme support cost charged by UNOPS.
5	UNOG written confirmation to OHCHR under which circumstances cash balances can be temporarily transferred from one project to another.
6	Document indicating how possible contingent liabilities in the event of early termination of ALD contracts will be covered.
7	Information on how OHCHR will monitor expenditures of UNOPS administered field offices and document showing outcome of the spot checks taken in the field.
8	Copy of UNOPS information provided to project personnel or staff for short-term missions on their status as external candidates when applying for posts in the UN.

* Critical recommendations

VI. ACKNOWLEDGEMENT

44. I wish to express my appreciation for the assistance and cooperation extended to the auditors by the staff of OHCHR.

Egbert C. Kaltenbach, Director
Internal Audit Division II
Office of Internal Oversight Services