



INTERNAL AUDIT DIVISION

REPORT 2014/040

Audit of the United Nations Environment Programme OzonAction Branch

Overall results relating to support services provided by the OzonAction Branch to the Multilateral Fund for the Implementation of the Montreal Protocol were initially assessed as partially satisfactory. Implementation of six important recommendations remains in progress.

FINAL OVERALL RATING: PARTIALLY
SATISFACTORY

29 May 2014
Assignment No. AA2013/220/08

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AUDIT REPORT

Audit of the United Nations Environment Programme OzonAction Branch

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the United Nations Environment Programme (UNEP) OzonAction Branch (OzonAction).
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. OzonAction is located in Paris, France, within the UNEP Division of Technology, Industry and Economics (DTIE). It is one of the four implementing agencies that carry out the work of the Multilateral Fund for the Implementation of the Montreal Protocol (MLF) in developing countries that operate under Article 5 of the Protocol (“Article 5 countries”) based on a contractual agreement signed on 19 June 1991 between UNEP and the Executive Committee (ExCom), which is the governing body of MLF.
4. OzonAction was established in 1991, when the agreement between UNEP and ExCom was signed to launch the regional network infrastructure within which projects could be implemented. This included carrying out institutional strengthening activities including facilitating regional networks, carrying out clearing-house functions, and helping to prepare country programmes. In 2002, OzonAction initiated the regionalized Compliance Assistance Programme (CAP) which was geared towards achieving the total phase-out of ozone depleting substances (ODS). OzonAction was headed by a Head at D-1 level and had 50 staff members at DTIE in France and UNEP Regional Offices in Kenya, Panama, Thailand, and Bahrain.
5. Since its inception, OzonAction had managed over 1,690 projects and provided services to 148 developing countries and 17 countries with economies in transition. OzonAction operated through a technical cooperation trust fund for implementation of MLF Activities (i.e., the annual CAP, multi-year Hydro-chlorofluorocarbons Phase-out Management Plans and Institutional Strengthening projects). During the period January 2010 through August 2013, OzonAction received contributions totaling \$59.3 million from ExCom and recorded expenditures amounting to \$60.6 million.
6. Comments provided by UNEP are incorporated in *italics*.

II. OBJECTIVE AND SCOPE

7. The audit was conducted to assess the adequacy and effectiveness of UNEP governance, risk management and control processes in providing reasonable assurance regarding the **efficient and effective support services provided by the OzonAction Branch to the MLF**.
8. The audit was included in the 2013 internal audit work plan based on a risk assessment of UNEP that identified high operational and compliance risks in the delivery of support services to the MLF.
9. The key controls tested for the audit were: (a) regulatory framework; and (b) performance monitoring indicators and mechanisms. For the purpose of this audit, OIOS defined these key controls as follows:

(a) **Regulatory framework** – controls that provide reasonable assurance that policies and procedures: (i) exist to guide the efficient and effective provision of support services by the OzonAction Branch; (ii) are implemented effectively; and (iii) ensure the reliability and integrity of financial and operational information.

(b) **Performance monitoring indicators and mechanisms** - controls that provide reasonable assurance that metrics are: (i) established and appropriate to enable measurement and monitoring of the OzonAction Branch's performance; (ii) properly reported upon; and (iii) used to manage operations effectively.

10. The key controls were assessed for the control objectives shown in Table 1.

11. OIOS conducted this audit from September to December 2013. The audit covered the period from 1 January 2010 to 31 May 2013. OIOS reviewed budgeting and performance reporting activities, organizational arrangements, partnership agreements for implementing the programme of work, hiring of consultants, and procurement and travel related transactions.

12. 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

13. The UNEP governance, risk management and control processes examined were assessed as **partially satisfactory** in providing reasonable assurance regarding **the efficient and effective support services provided by the OzonAction Branch to the MLF**. OIOS made seven recommendations to address issues identified in the audit. The regulatory framework was assessed as partially satisfactory because there was a need to strengthen organizational arrangements, compliance with applicable regulations and rules, and establishment of partnerships with implementing partners. There was need to align the reporting lines of OzonAction staff in Regional Offices in accordance with the decisions of ExCom to ensure efficient and effective programme delivery. There had been no competitive process or contract to acquire travel services. Utilization of funds was not always in accordance with ExCom decisions. There was need for UNEP to ensure that: (a) clear goals are specified in partnership agreements; (b) the content did not result in duplication of work performed directly by the Branch; and (c) reports submitted by implementing partners met the minimum quality requirements before funds are disbursed. UNEP had also not complied with the requirement to disclose cases of presumptive fraud to the United Nations Controller and the Board of Auditors.

14. The initial overall rating was based on the assessment of key controls presented in Table 1 below. The final overall rating is **partially satisfactory** as implementation of six important recommendations remains in progress.

Table 1: 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
Efficient and effective support services provided by the OzonAction Branch to the MLF	(a) Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
	(b) Performance monitoring indicators and mechanisms	Satisfactory	Satisfactory	Satisfactory	Satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Regulatory framework

Need to review reporting lines and delegation of authority to ensure clear accountability, effective delivery and technical oversight of the OzonAction programme of work

15. In 2010, UNEP adopted a regional strategy with the aim of developing synergy at the regional level, ensuring a harmonized approach for all staff in the Regional Offices, and providing political support to the programme of work of UNEP in the regions. Based on this UNEP-wide strategy, all UNEP staff located at Regional Offices had the Regional Directors as first reporting officers (FRO) or second reporting officers (SRO). The roles of FRO and SRO allowed the Regional Directors to provide input to the work of staff deployed in the regions and evaluate their performance. In fact, the Head of the Branch and the Network and Policy Manager were limited to the role of SRO or additional supervisory functions.

16. The Regional Directors, however, had neither specific delegation of authority nor accountability for implementing the OzonAction programme of work, which emanated from ExCom and was thus separate from the programme of work of UNEP. Consequently, the Head of the OzonAction Branch, who was held accountable by the ExCom for the delivery of the OzonAction programme of work, could not direct and assess the performance of his own staff deployed in the regions. In addition, the Head of the Branch had received on appointment delegation of authority limited to recruitment of junior staff and consultants, limited staff travel and low value procurement. All other functions were delegated at the higher reporting level of the Division Director, UNEP DTIE.

17. In July 2013, the ExCom reminded UNEP of previous decisions concerning oversight over out-posted OzonAction staff and requested UNEP to ensure that regional network coordinators were directly accountable to the Network and Policy Manager in the OzonAction Branch, based on the CAP organization chart presented in the 2010 CAP budget. Even though the Head of Branch reported to the ExCom on the financial and programme performance of OzonAction, the Head was not in a position to fully control or influence staff performance and key organizational processes for delivery of the programme due to the current organizational set-up. Failure to ensure clear accountability, effective delivery and technical oversight for the OzonAction programme of work may result in reputational damage to UNEP and possible loss of funding.

(1) UNEP should review the existing organizational arrangements to ensure that they provide for clear accountability and efficient and effective delivery of the OzonAction Branch programme of work in accordance with the decisions of the Executive Committee.

UNEP accepted recommendation 1 and stated that it evaluated the reporting lines at the end of 2013/early 2014 in the context of the relevant ExCom recommendations and decisions, with the goal of ensuring full accountability of the Branch staff through the Branch management to the ExCom. Recognizing the need for continued monitoring of day-to-day operations and to position itself closer to Member States to ensure the relevance of its work and better impact, revised reporting lines for out posted OzonAction Branch staff are currently being reviewed, and new reporting lines will be implemented during 2014. Recommendation 1 remains open pending receipt of evidence that the existing arrangements have been appropriately revised in accordance with ExCom decisions.

No formal contract was in place for travel services

18. United Nations Financial Rule 105.18 requires that written contracts shall be used to formalize every procurement action with a monetary value exceeding specific thresholds established by the Under-Secretary-General for Management and also establishes the general procedures for formal solicitation for the procurement of goods and services.

19. OzonAction arranged travel for staff members, meeting participants and consultants through DTIE. However, contrary to Financial Rule 105.18, there was no formal solicitation procedure and contract between DTIE and the travel agent, even though the total payment to the travel agent was \$2.9 million during the period 2010 to 2012.

20. DTIE stated that it would approach the United Nations Office at Geneva (UNOG) to obtain travel services once UNOG completed a procurement process that was currently underway for such services. The current practice constituted a violation of the Financial Regulations and Rules that were designed to ensure that the Organization received best value for money and reduced exposure to fraud.

(2) UNEP should take steps to ensure that a written contract is established for the sourcing of travel services through a competitive bidding process, as required by the United Nations Financial Rules.

UNEP accepted recommendation 2 and stated that it is seeking to “piggy back” on other United Nations entities in Paris and Geneva, based on their long term agreements, to handle all DTIE Paris travel. UNEP is currently exploring options with other United Nations entities and also a travel agent in Geneva procured according to United Nations regulations and rules. Recommendation 2 remains open pending receipt of evidence that travel services have been procured in accordance with Financial Rule 105.18.

Need to ensure that funds are utilized for approved purposes

21. OzonAction incurred expenditure on staff, consultants and partnerships that were not in accordance with ExCom decisions. A review of staffing tables and recruitment related documentation showed the following:

- a) The CAP budget, approved by the ExCom, included a Temporary Assistance budget line to enable the operation of the programme in advance of the recruitment of staff and to meet leave and workload contingencies. However, these funds were used to fund a fixed term appointment

post for more than four years and there was no evidence that this had been disclosed to the ExCom. This was contrary to ExCom decisions.

- b) A staff position that was initially equally funded by DTIE and OzonAction Branch was subsequently fully funded by OzonAction without prior endorsement by the ExCom. There was no evidence that UNEP had reported to the ExCom about the change in funding for the post.
- c) A partnership agreement was used to hire a consultant for the period September 2010 to February 2013 using the CAP budget. The consultant worked in the UNEP Regional Office in Bangkok, together with UNEP staff members, and was given tasks, responsibilities and access rights to finance and other administrative resources equivalent to those of a UNEP staff member, to execute functions for which staff members had already been hired under the CAP.
- d) A project post was created using “project preparatory funds” for the Asia Pacific countries. These funds were specifically granted to countries to enable them undertake needs assessments and prepare the Hydro-chlorofluorocarbons Phase-out Management Plans (HPMP). The creation of the project post using the “project preparatory funds” was against ExCom decisions on the use of these funds and was done without informing the beneficiary countries. ExCom requested return of the project preparatory funds for all the approved country HPMP plans by the end of 2013 but as at 10 February 2014, the funds had not been returned.
- e) A Small Scale Funding Agreement (SSFA) was signed on 19 December 2012 with a partner for \$183,000 to provide administrative services using CAP resources for 2012. As the CAP budget was related to the financial year 2012, all unspent balances were supposed to be returned to the ExCom at the end of the year. OzonAction resorted to “spending” the funds by signing the \$183,000 agreement on 19 December 2012 and obligating the related funds for use in the following year, rather than returning the funds to the ExCom.

22. Use of funds for purposes other than those for which they were approved could adversely impact on the reputation of UNEP, besides the risk that the expenditures could be disallowed by the ExCom.

(3) UNEP should put in place a mechanism to ensure that funds are used as approved by the Executive Committee, variances are disclosed on a timely basis, and unspent balances are returned to the Executive Committee in a timely manner.

UNEP accepted recommendation 3 and stated that starting in May 2013, revised operational procedures for the OzonAction Branch were established for all Branch staff, including those based in Paris and in the Regional Offices, as regards the use of Multilateral Fund resources and following United Nations rules and regulations and ExCom decisions. These procedures include a multi-tier review and Head of Branch clearance of all contractual obligations prior to approval and signature of the Director, DTIE. This mechanism is designed to ensure that all Multilateral Fund resources are used as approved by the ExCom (subject to prior approval by the Head of Branch) and allows management to detect any potential variances early so that they can be avoided. As of 2014, more detailed information on the anticipated use of the CAP budget lines will be provided to the ExCom through the CAP budget. All outstanding unspent project preparatory funds and unspent balances will be returned to the MLF. Recommendation 3 remains open pending receipt of evidence that funds are used as approved, variances are disclosed, and unspent balances are returned in accordance with ExCom decisions.

Need for timely financial closure of completed or terminated projects

23. The UNEP project manual required that a project should be financially closed no more than 18 months after the date of operational completion or project termination and that unutilized balances should be returned in a timely manner. As at 31 December 2012, the project inventory database included 26 projects which were operationally completed between 2004 and 2011 with funds totaling \$11.8 million of which \$10.4 million had been disbursed leaving a balance of \$1.4 million. OzonAction attributed the delays in financial closure of projects to a number of factors including delays in financial reporting by implementing partners, delays in receipt and recording of inter-office vouchers, and delays in the reconciliation of accounts and resolving of accounts receivable.

24. The financial closure of the 26 projects was overdue as the financial aspects of the projects were yet to be finalized. By not closing the projects within the stipulated timeframes, UNEP was retaining funds which should have been returned to the ExCom for redeployment.

(4) UNEP should define a mechanism to ensure that projects are financially closed no more than 18 months after the date of operational completion, and that unutilized balances are returned to the Fund for the Implementation of the Montreal Protocol in a timely manner.

UNEP accepted recommendation 4 and stated that it has invested considerable effort in closing old projects, and this effort is ongoing. As of the December 2013 ExCom meeting, UNEP reported a balance of \$273,027 and as of March 2014, UNEP reported a balance of \$78,000 (i.e. a reduction of 72 per cent). Based on the actions taken by UNEP, recommendation 4 is closed.

Need for quality assurance on reports used to support payments

25. There was a need for independent review of supporting documentation for payments made by OzonAction to implementing partners. In accordance with the SSFA signed between OzonAction and implementing partners, initial disbursement to the partners were made upon signing the agreements and subsequent disbursements were made upon submission of progress and financial reports. However, there was no evidence of quality assurance review of the progress reports submitted to support the subsequent disbursements.

26. Quality assurance of progress reports would serve to ensure that UNEP received value for the money disbursed to implementing partners. The Head of Branch had initiated a review process with the regional teams to ensure that contractual obligations as per outputs and deliverables were in accordance with ExCom decisions on the programme of work.

(5) UNEP should establish a mechanism for quality assurance of reports that are submitted by partners to support the disbursement of funds for projects.

UNEP accepted recommendation 5 and stated that it will put in place stronger programme monitoring and evaluation mechanisms. The OzonAction Branch will review and improve its internal processes for ensuring the quality assurance of reports that support the disbursement of project funds, and design an internal “accountability framework.” The Branch will formulate objective criteria and benchmarks to guide report reviews and introduce a systematic and permanent review process. Recommendation 5 remains open pending receipt of evidence that a mechanism has been established for quality assurance of reports submitted by partners to support the disbursement of funds.

Need to ensure that cases of fraud and presumptive fraud are reported in a timely manner

27. There were two cases of presumptive fraud relating to projects funded by the MLF and being implemented by UNEP that were not reported to the Controller and the Board of Auditors, as required by instructions issued by the Controller. In the first case, from 2005 to 2008, funds totaling \$719,522 were disbursed for OzonAction activities in Country D based on fax authorizations that were purported to be issued by UNEP through the United Nations Office at Nairobi.

28. UNEP discovered the presumptive fraud case in 2008 and reportedly put on hold four projects worth \$282,720. However, a fifth project worth \$108,480 was executed and completed in March 2011. UNEP reported the case to OIOS Investigations Division and at the time of the audit, the case was still under investigation.

29. In a second case, in September 2004, UNEP and the Government of Country E signed a Memorandum of Understanding (MOU) for a national chlorofluorocarbon phase out plan with a total funding of \$150,460. Upon signing the MOU, UNEP transferred \$90,000 to Country E, but so far only \$30,000 had been accounted for by the recipient government. The Department of Environment of Country E prosecuted the government staff members involved and even though the court issued an order in the department's favour on 28 June 2009, the funds had not yet been returned to UNEP. UNEP indicated that it was following up the case with the government and that it was undertaking an evaluation at the national level in consultation with all implementing agencies.

30. The UNEP Office for Operations confirmed that it was aware of the two cases of presumptive fraud and stated that the Fund Secretariat had been informed of the cases. However, there was no documentation to show that UNEP had reported these cases to the Controller and the Board of Auditors, as required by the Controller's instructions on cases of fraud and presumptive fraud.

(6) UNEP should establish a mechanism to ensure compliance with the requirement to report cases of fraud and presumptive fraud to the United Nations Controller and the Board of Auditors.

UNEP accepted recommendation 6 and stated that in the case of Country D, UNEP reported the case to the United Nations Controller and the Board of Auditors. OIOS was currently investigating the case and the findings were not known. In the meantime, UNEP deployed its best efforts to secure a positive outcome both with UNDP and the government through a recent mission of the Deputy Executive Director and Regional Director for Africa. UNEP had also held discussions with senior government officials and a second mission was foreseen, pending availability of the government. In the case of Country E, UNEP was continuing to follow up with the government on the accounting or return of the funds. A recent mission to Country E was undertaken by UNEP and all implementing agencies in March 2014. An internal evaluation was undertaken and discussions were ongoing with the government on the way forward. Should evaluations indicate presumptive fraud on the part of the implementing partner (government), then the appropriate channels to report to the United Nations Controller and the Board of Auditors will be followed. Recommendation 6 remains open pending receipt of evidence that UNEP has established a mechanism to ensure that cases of fraud and presumptive fraud are reported to the Controller and the Board of Auditors.

Need for partnerships to be established in accordance with applicable policies

31. According to UNEP Partnership Policy and Procedures (dated 21 October 2011), a decision to use partnerships should take into account "the comparative effectiveness of in-house capacity to support project delivery, as compared to capacities and resources available externally".

32. UNEP signed a SSFA with a partner for \$183,000 to provide administrative functions and programme support which could have been provided in-house by UNEP or through a normal procurement process of acquiring goods and services. The SSFA for “Organization of capacity building workshops for different sectors/stakeholders” signed on 19 December 2012 requested the partner to work in close consultation with UNEP to perform activities that were normally undertaken under the CAP. As per terms of the SSFA, UNEP disbursed \$90,000 to the partner upon signing the agreement. However, on 29 August 2013, UNEP notified the partner of the termination of the agreement, in accordance with clause 11, due to “re- prioritization of the programme activities” and requested the partner to refund the balance of \$28,286 from the \$90,000 deposit paid upon signing the agreement.

33. There was no clear justification for outsourcing the CAP activities. Further, no provision had been made in the related budget for outsourcing of core CAP activities and hiring of additional administrative staff through partnership agreements. The SSFA signed on 19 December 2012 on capacity building workshops resulted in outsourcing of activities which were intended to be implemented directly by CAP staff and duplicated staff costs through the hiring of an additional resource to assist with implementation of the concerned activities. In addition, by the time the SSFA was terminated, all additional staff costs were reported as incurred while the related activities were still to be accomplished.

(7) UNEP should ensure that the OzonAction Branch does not enter into contractual agreements which duplicate the services of the Compliance Assistance Project.

UNEP accepted recommendation 7 and stated that it acknowledges the need for leveraging different types of partnerships to deliver the programme. One of OzonAction’s key comparative advantages is its vast network of partners. This network enables the programme to mobilize diverse actors to access specialized knowledge, to implement programmes, to share experience and good practices. The Head of Branch will ensure that the Branch will not enter into contractual agreements which duplicate the services of the CAP using, inter alia, the enhanced procedures for review of proposed contractual obligations described in Recommendation 3 above. OzonAction will develop guidelines for staff on the overall policy framework for review of the programme distinct strategic partnerships, cognizant of the UNEP-wide strategy on partnerships. All contractual agreements will be reviewed by the Network and Policy Manager and Head of Branch against the guidelines prior to submission to the Director for signature. Recommendation 7 remains open pending receipt of guidelines relating to the mechanism established to prevent entering into partnership agreements that duplicate the services of the CAP.

B. Performance monitoring indicators and mechanisms

Need to ensure that project performance indicators are specific and measurable

34. Performance indicators contained in 14 SSFA signed between UNEP and implementing partners were not specific and measurable (see Table 2 below). Only one of the 15 SSFA reviewed for projects in Africa and South Asia had specific and measurable indicators.

Table 2: Examples of non-specific performance indicators in agreements

Nature of agreement	Expected results/outcomes	Comments
Institution strengthening	1. Reliable data collected every year and submitted to Ozone Secretariat	No specific measureable indicators for reliability of data to be submitted to Ozone Secretariat
	2. Raise awareness of ozone issues to all stakeholders, mainly technicians in refrigeration and air conditioning sector, customers and Ozone Depletion Substances (ODS) suppliers	No specific measurable indicators of the awareness to be raised
	3. Sustaining reduced ODS consumption levels	No specific measurable indicators of the level of reduction of ODS consumption levels
	4. Achieve Carbon Tetrachloride (CTC) and Trichloroethane (TCA) reduction	No specific measureable indicator of the achievement in the reduction of CTC and TCA
	5. Maintain the commitment phase out of ODS in all stakeholders	No specific and measurable indicator of the maintenance of commitment to phase out ODS in all stakeholders
	6. Control importation of ODS	No specific and measureable indicators for controlling importation of ODS

35. The lack of specific performance indicators could result in the inability of UNEP to measure and evaluate the success of the projects undertaken and delay corrective intervention where necessary. Furthermore, UNEP may not be able to effectively report to the ExCom on impact of the activities funded which may lead to loss of credibility and trust. However, UNEP stated that the MLF Secretariat and implementing agencies, including OzonAction, were in the process of developing a standard set of performance indicators to be used for projects that would also be reflected in the UNEP legal agreements. Since UNEP had initiated action to address this matter, no recommendation was made.

IV. ACKNOWLEDGEMENT

36. OIOS wishes to express its appreciation to the Management and staff of UNEP 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 OzonAction Branch

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UNEP should review the existing organizational arrangements to ensure that they provide for clear accountability and efficient and effective delivery of the OzonAction Branch programme of work in accordance with the decision of the Executive Committee.	Important	O	Submission of evidence that the existing organizational arrangements have been appropriately revised in accordance with ExCom decisions.	31 December 2014
2	UNEP should take steps to ensure that a written contract is established for the sourcing of travel services through a competitive bidding process, as required by the United Nations Financial Rules.	Important	O	Submission of evidence that travel services have been procured in accordance with Financial Rule 105.18.	31 December 2014
3	UNEP should put in place a mechanism to ensure that funds are used as approved by the Executive Committee, variances are disclosed on a timely basis, and unspent balances are returned to the Executive Committee in a timely manner.	Important	O	Submission of evidence that funds are used as approved, variances are disclosed, and unspent balances are returned in accordance with ExCom decisions.	31 December 2014
4	UNEP should define a mechanism to ensure that projects are financially closed no more than 18 months after the date of operational completion, and that unutilized balances are returned to the Fund for the Implementation of the Montreal Protocol in a timely manner.	Important	C	Action completed.	Implemented
5	UNEP should establish a mechanism for quality assurance of reports that are submitted by partners to support the disbursement of funds for projects.	Important	O	Submission of evidence that a mechanism has been established for quality assurance of reports submitted by partners to support the disbursement of funds.	31 December 2014

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 in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Audit of the United Nations Environment Programme OzonAction Branch

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
6	UNEP should establish a mechanism to ensure compliance with the requirement to report cases of fraud and presumptive fraud to the United Nations Controller and the Board of Auditors.	Important	O	Submission of evidence that UNEP has established a mechanism to ensure that cases of fraud and presumptive fraud are reported to the Controller and the Board of Auditors.	31 December 2014
7	UNEP should ensure that the OzonAction Branch does not enter into contractual agreements which duplicate the services of the Compliance Assistance Project.	Important	O	Submission of guidelines relating to the mechanism established to prevent entering into partnership agreements that duplicate the services of the CAP.	31 December 2014

APPENDIX I

Management Response

Management Response

Audit of the United Nations Environment Programme OzonAction Branch

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNEP should review the existing organizational arrangements to ensure that they provide for clear accountability and efficient and effective delivery of the OzonAction Branch programme of work in accordance with the decision of the Executive Committee.	Important	Yes	Director DTIE	December 2014	<p>UNEP evaluated the reporting lines at the end of 2013/early 2014 in the context of on the relevant Executive Committee recommendations and decisions, with the goal of ensuring full accountability of the Branch staff through the Branch management to the Executive Committee. Recognising the need for continued monitoring of day-to-day operations and to position itself closer to Member States to ensure the relevance of its work and better impact, revised reporting lines for out posted OzonAction Branch staff are currently being reviewed, and new reporting lines will be implemented during 2014.</p> <p>Operational actions planned: There are 9 Regional Network Coordinators. UNEP is reviewing the existing organizational arrangements with a view to implement the following changes: all 9 Regional Network</p>

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 OzonAction Branch

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						Coordinators would report directly to the Network and Policy Manager as the First Reporting Officer, with the Regional Director as Additional Reporting Officer, and to the Head of Branch OzonAction as the Second Reporting Officer.
2	UNEP should take steps to ensure that a written contract is established for the sourcing of travel services through a competitive bidding process, as required by the United Nations Financial Rules.	Important	Yes	Director DTIE	December 2014	<p>UNEP is seeking to “piggy back” on other United Nations entities in Paris and Geneva, based on their long term agreements, to handle all DTIE Paris travel.</p> <p>Operational actions planned: UNEP is currently exploring options with other UN entities and also a travel agent in Geneva procured according to UN rules and regulation</p>
3	UNEP should put in place a mechanism to ensure that funds are used as approved by the Executive Committee, variances are disclosed on a timely basis, and unspent balances are returned to the Executive Committee in a timely manner.	Important	Yes	HoB OzonAction	December 2014	<p>Since May 2013, commitment on all Multilateral Fund funds requires prior authorisation of the Director of the Division.</p> <p>Moreover, starting in May 2013, revised operational procedures for the OzonAction Branch were established for all Branch staff, including those based in Paris and in the Regional Offices, as regards the use of Multilateral Fund resources and following UN rules and regulations and Executive</p>

Management Response

Audit of the United Nations Environment Programme OzonAction Branch

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>Committee decisions. These procedures include a multi-tier review and Head of Branch clearance of all contractual obligations (SSFAs, PCAs, consultancy requests) prior to approval and signature of the Director, DTIE. This mechanism is designed to ensure that all Multilateral Fund resources are used as approved by the Executive Committee (subject to prior approval by the Head of Branch) and allows management to detect any potential variances early so that they can be avoided.</p> <p>Operational actions planned: As of 2014, more detailed information on the anticipated use of the CAP budget lines will be provided to the Executive Committee through the CAP budget. All outstanding unspent project preparatory funds and unspent balances will be returned to the MLF.</p>
4	UNEP should define a mechanism to ensure that projects are financially closed no more than 18 months after the date of operational completion, and that unutilized balances are returned to the Fund for the Implementation of the Montreal Protocol in a timely manner.	Important	CLOSED Report 30 April 2014			<p><u>As per revised audit report 30 April 2014</u> <i>Draft report indicates the following:</i> “UNEP <i>accepted recommendation 4 and stated that it has invested considerable effort</i></p>

Management Response

Audit of the United Nations Environment Programme OzonAction Branch

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p><i>in closing old projects, and this effort is ongoing. As of the December 2013 ExCom meeting, UNEP reported a balance of \$273,027 and as of March 2014, UNEP reported a balance of \$78,000 (i.e. a reduction of 72 per cent). Based on the actions taken by UNEP, recommendation 4 is closed.</i></p> <p>UNEP suggests OIOS should close this recommendation.</p>
5	UNEP should establish a mechanism for quality assurance of reports that are submitted by partners to support the disbursement of funds for projects.	Important	Yes	HoB OzonAction	December 2014	<p>UNEP fully supports this recommendation and will put in place a stronger programme monitoring and evaluation mechanisms.</p> <p>Operational actions planned: The OzonAction Branch will review and improve its internal processes for ensuring the quality assurance of reports that support the disbursement of project funds, and design an internal "accountability framework." The Branch will formulate objective criteria and benchmarks to guide report reviews and introduce a systematic and permanent review process.</p> <p>The said criteria will be</p>

Management Response

Audit of the United Nations Environment Programme OzonAction Branch

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						communicated to all programme officers and partners.
6	UNEP should establish a mechanism to ensure compliance with the requirement to report cases of fraud and presumptive fraud to the United Nations Controller and the Board of Auditors.	Important	Yes	Director OfO		<p>The Director of OfO is the focal point for such cases and reports them regularly to the appropriate authorities.</p> <p>An internal established mechanism exists at UNEP on reporting cases of fraud and presumptive fraud to the United Nations Controller and the Board of Auditors. Via this mechanism, the case of Country D was reported to the United Nations Controller and the Board of Auditors. The case of Country E was reported to the Board of Auditors. An internal evaluation and review in cooperation with other implementing agencies is underway. UNEP previously indicated that <i>“Should evaluations indicate presumptive fraud on the part of the implementing partner (government), then the appropriate channels to report to the United Nations Controller and the Board of Auditors will be followed.”</i></p> <p>UNEP recommends OIOS close</p>

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						this recommendation.
7	UNEP should ensure that the OzonAction Branch does not enter into contractual agreements which duplicate the services of the Compliance Assistance Project.	Important	Yes	HoB OzonAction	December 2014	<p>UNEP acknowledges the recommendation as well as the need for leveraging different types of partnerships to deliver the programme.</p> <p>One of OzonAction's key comparative advantages is its vast network of partners. This network enables the programme to mobilize diverse actors to access specialized knowledge, to implement programmes, to share experience and good practices.</p> <p>The Head of Branch will ensure that the Branch will not enter into contractual agreements which duplicate the services of the Compliance Assistance Project, using inter alia the enhanced procedures for review of proposed contractual obligations described in Recommendation 3 above.</p> <p>Operational actions planned: OzonAction will develop guidelines for staff on the overall policy framework for review of the programme distinct strategic partnerships, cognisant of the UNEP wide strategy on</p>

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						<p>partnerships.</p> <p>All contractual agreements will be reviewed by the Network and Policy Manager and Head of Branch against the guidelines prior to submission to the Director for signature</p>