



## INTERNAL AUDIT DIVISION

### REPORT 2014/073

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Audit of the United Nations  
Environment Programme Secretariat of  
the Convention on the Conservation of  
Migratory Species of Wild Animals

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

FINAL OVERALL RATING: PARTIALLY  
SATISFACTORY

6 August 2014  
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# AUDIT REPORT

## Audit of the United Nations Environment Programme Secretariat of the Convention on the Conservation of Migratory Species of Wild Animals

### I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the United Nations Environment Programme (UNEP) Secretariat of the Convention on the Conservation of Migratory Species of Wild Animals (CMS).
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. CMS, also known as the Bonn Convention, aims to conserve terrestrial, marine and avian migratory species. It is an intergovernmental treaty that brings together the states through which migratory animals pass and lays the legal foundation for conservation measures throughout the species' migratory range. Conservation measures are embedded in detailed conservation and management plans.
4. CMS acts as a framework convention, providing for separate, international legally binding instruments and other agreements among states through which migratory species pass. At the time of the audit, there were seven legally binding agreements and 19 non-legally binding Memoranda of Understanding (MOU) under the CMS framework. There were four important agreements associated with CMS, namely: (i) the Agreement on the Conservation of African-Eurasian Migratory Waterbirds (AEWA); (ii) the Agreement on the Conservation of Populations of European Bats (Eurobats); (iii) the Agreement on the Conservation of Small Cetaceans of the Baltic, North East Atlantic, Irish and North Seas (ASCOBANS); and (iv) the Agreement on the Conservation of Gorillas and their Habitats, also known as the Gorilla Agreement. The Conference of the Parties (COP) was the decision-making organ of CMS while the Meetings of the Parties (MOP) was the decision making organ for CMS-related agreements.
5. UNEP provided secretariat support to CMS as well as to AEWA, Eurobats, ASCOBANS and the Gorilla Agreement. The CMS Secretariat was established in 1973 in Bonn, Germany and also had offices in Abu Dhabi (United Arab Emirates) and Bangkok (Thailand), and a focal point in Washington, DC (United States of America). As at 31 December 2013, the Secretariat had 44 staff members comprising 24 in the Professional category and 20 in the General Service category. The expenditure incurred by CMS, AEWA, Eurobats, and ASCOBANS for the biennia 2010-2011 and 2012-2013 is summarized in Table 1 below.

**Table 1: Expenditure incurred by CMS, AEWA, Eurobats, and ASCOBANS for the biennia 2010-2011 and 2012 - 2013 (amounts in \$)**

<b>Trust fund</b>	<b>2010-2011</b>	<b>2012-2013</b>	<b>Total</b>
General Trust Fund for voluntary contribution in respect of agreement on the conservation of African Eurasian migratory water birds (AEWA)	1,641,286	871,770	2,513,056
General Trust Fund for the African-Eurasian Waterbirds Agreement	2,080,995	2,345,455	4,426,450
General Trust Fund for the Conservation of Small Cetaceans of the Baltics and North Seas (ASCOBANS)	510,061	491,631	1,001,692
General Trust Fund for the Conservation of European Bats (Eurobats)	985,021	879,987	1,865,008
Trust Fund for the Convention of Conservation of Migratory Species of Wild Animals	6,403,632	5,421,724	11,825,356
General Trust Fund for voluntary contribution in support of the convention of the conservation of migratory species of wild animals (CMS)	3,944,246	4,307,573	8,251,819
Support of the Eurobats Secretariat	218,535	100,298	318,833
Support of the ASCOBANS Secretariat	119,739	99,822	219,561
<b>Total</b>	<b>15,903,515</b>	<b>14,518,260</b>	<b>30,421,775</b>

6. Comments provided by the CMS Secretariat 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 provision of efficient and effective secretariat support to CMS**.

8. This audit was conducted at the request of UNEP. OIOS included this audit in its 2014 work plan due to the risk that the Secretariat's support to CMS could be adversely affected by non-compliance with COP decisions and the applicable regulations and rules.

9. The key control tested for the audit was regulatory framework. For the purpose of this audit, OIOS defined regulatory framework as the controls that provide reasonable assurance that policies and procedures: (i) exist to guide the provision of efficient and effective secretariat support to CMS; (ii) are implemented consistently; and (iii) ensure the reliability and integrity of financial and operational information.

10. The key control was assessed for the control objectives shown in Table 2.

11. OIOS conducted this audit from March to April 2014 in Bonn, Germany. The audit covered the period from January 2011 to December 2013.

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. UNEP governance, risk management and control processes examined were **partially satisfactory** in providing reasonable assurance regarding the **provision of efficient and effective secretariat support to CMS**. UNEP needed to finalize memoranda of understanding with the COP and MOP in order to clarify mutual expectations and ensure accountability. Some issues arising from the COP resolution on financial and administrative matters were yet to be fully addressed. Internal controls needed to be strengthened to ensure compliance with the provisions of the Procurement Manual relating to: (a) solicitation and evaluation of quotations/bids; (b) use of standard United Nations contracts; and (c) legal review of contracts, particularly when the standard contract templates were not used.

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

**Table 2: Assessment of key control**

Business objective	Key control	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
<b>Provision of efficient and effective secretariat support to CMS</b>	Regulatory framework	Partially satisfactory	Partially satisfactory	Satisfactory	Partially satisfactory
<b>FINAL OVERALL RATING: PARTIALLY SATISFACTORY</b>					

### Regulatory framework

#### Need for a Memorandum of Understanding between the United Nations Environment Programme and the Parties

15. At the time of the audit (April 2014), there were no MOU or service level agreements between UNEP and the COP to the Convention and the MOP of AEW, ASCOBANS, Eurobats and the Gorilla Agreement. The CMS Secretariat explained that UNEP was addressing the matter and had already drafted a MOU to be signed with the COP.

16. The COP to CMS and MOP of related agreements had designated UNEP to carry out the secretariat functions for the Convention and the related agreements. However, the lack of MOU between UNEP and CMS could result in misunderstanding of the responsibilities and accountabilities involved in the delivery of secretariat support services by UNEP and potentially compromise the quality, cost efficiency and effectiveness in the delivery of services.

**(1) UNEP should propose a Memorandum of Understanding or service level agreement with the Conferences of the Parties to the Convention on the Conservation of Migratory Species of Wild Animals in order to clarify mutual expectations.**

*UNEP accepted recommendation 1 and stated that the agreement between UNEP and CMS Parties may not take the form of a MOU but an agreement. Recommendation 1 remains open pending receipt of a signed memorandum of understanding or agreement between UNEP and the COP.*

Issues pertaining to financial and administrative matters were yet to be fully addressed

17. The CMS Secretariat had implemented a number of COP resolutions, including certain aspects of a resolution relating to financial and administrative matters made at the COP meeting held in Bergen, Norway in November 2011. However, at the time of the audit, the Secretariat was yet to undertake a review of the grading of the Secretariat's posts, as requested by the COP, taking into account the outcome of the "Working Group on Future Shape of CMS" to enable the COP to make decisions on the grading of the posts. The Secretariat was considering how to undertake the review and how to finance it.

18. Non-implementation of COP decisions in a timely manner could lead to loss of confidence in the Secretariat's ability to deliver its services effectively in accordance with COP expectations, with potential adverse consequences to the Secretariat's reputation and funding.

**(2) The Executive Secretary of the Convention on Migratory Species of Wild Animals should complete a review of grading of posts in the Secretariat as requested by the Conference of the Parties.**

*UNEP accepted recommendation 2 and stated that CMS will seek extra-budgetary resources to conduct the review with a view to submitting the review to COP-12 in 2017. Recommendation 2 remains open pending confirmation that a review of grading of posts in the CMS Secretariat has been completed.*

Need to ensure compliance with the Procurement Manual

19. There was no evidence that the Secretariat documented the solicitation process undertaken for procurements above \$4,000 and up to \$40,000 as required by the Procurement Manual. OIOS reviewed 19 contracts involving a total commitment of \$318,132 and noted that the Secretariat: did not use the templates provided in the Procurement Manual to obtain quotations in 15 cases involving \$235,904; did not evaluate quotations in 11 cases involving \$167,310; and did not issue statements of award in 13 cases involving \$193,324.

20. For procurements over \$40,000, the Procurement Manual requires the preparation of source selection plans, posting of advertisement on the Procurement Division's website, and separate technical and commercial evaluation of bids. There was no evidence that the Secretariat complied with these requirements in all the seven contracts that were reviewed. In these seven contracts involving a total commitment of \$381,105 there were no source selection plans for the cases; advertisements were only placed on the CMS website and not the Procurement Division website; and technical and commercial evaluations were not done separately. The Secretariat staff explained that they were not aware of the documentation that was specified in the Procurement Manual for solicitation and evaluation of quotations/bids.

21. Non-compliance with provisions of the Procurement Manual for solicitation and evaluation of vendor responses could result in non-achievement of procurement goals of best value for money, transparency, effective international competition, and safeguarding the interest of the United Nations.

**(3) The Executive Secretary of the Convention on the Conservation of Migratory Species of Wild Animals should train staff in procurement processes to ensure compliance with the provisions of the Procurement Manual relating to solicitation and evaluation of quotations/bids.**

*UNEP accepted recommendation 3 and stated that the UNEP Office for Operations will provide the CMS Secretariat with procurement training and the appropriate contract documents to be used and ensure that these are in place by the end of 2014. Recommendation 3 remains open pending receipt of evidence of training provided to CMS Secretariat staff to ensure compliance with the provisions of the Procurement Manual relating to solicitation and evaluation of quotations/bids.*

United Nations standard contracts need to be used with vendors

22. There were cases in which the Secretariat did not use United Nations standard templates for establishment of contracts. In addition, there was no evidence that the Legal Office in the Office for Operations at UNEP Headquarters had reviewed vendor contracts. For example, there were five cases totaling \$201,595 in which non-standard vendor contracts were used but there was no evidence that legal advice had been sought.

23. The Procurement Manual states that legal advice should be sought in cases where non United Nations contracts are to be used “particularly if the contract raises novel issues of a legal nature”.

24. Use of contracts that depart from the United Nations standard templates without legal advice could result in inadequate legal protection of United Nations interests which could potentially lead to legal disputes and/or financial loss.

**(4) The Executive Secretary of the Convention on Migratory Species of Wild Animals should ensure that appropriate legal advice is obtained before contracts are signed, particularly when standard contracts are not used.**

*UNEP accepted recommendation 4 and stated that it will be implemented immediately. Recommendation 4 remains open pending receipt of evidence showing that measures are in place to ensure that appropriate legal advice is obtained, particularly when standard contracts are not used.*

Purchase orders needed to be signed by both parties

25. The purchase orders issued by the Secretariat to vendors had a provision for vendors’ signature to indicate acceptance of the terms and conditions of the orders. However, 19 (total value \$557,750) out of 28 (total value \$905,297) purchase orders or contracts reviewed were not countersigned by vendors.

26. Lack of appropriate signatures on purchase orders could compromise the legality of the contractual obligations between the parties and potentially result in financial loss to the Organization in case of disputes.

**(5) The Executive Secretary of the Convention on the Conservation of Migratory Species of Wild Animals should ensure that vendors’ signatures are obtained on purchase orders to confirm vendors’ acceptance of terms and conditions.**

*UNEP accepted recommendation 5 and stated that it will be implemented immediately. Recommendation 5 remains open pending receipt of evidence showing that vendors' signatures are obtained on purchase orders to confirm their acceptance of terms and conditions.*

Partnerships need to be effected in accordance with partnership policy and procedures

27. According to the 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”. The UNEP Partnership Policy and Procedures also required that due diligence be undertaken before entering into agreements with for profit and not for profit organizations.

28. Between January 2011 and December 2013, the Secretariat and its related entities entered into 138 small scale funding agreements (SSFA) amounting to \$3.6 million. OIOS reviewed a sample of 89 SSFA amounting to \$3.1 million (87 per cent) to determine compliance with applicable policies and procedures. Policies and procedures had been only partially complied with as no due diligence had been conducted on 36 SSFA as required. Aspects of the due diligence procedures included review of partners' legal status and governance, financial and administrative capacity, alignment with United Nations values, specific technical capacities, and strategic capacity. To mitigate risks and potential concerns related to the credentials of the organization involved, including potential conflicts of interest, it is necessary for the Secretariat to comply with the due diligence procedures.

**(6) The Executive Secretary of the Secretariat of the Convention on the Conservation of Migratory Species of Wild Animals should conduct due diligence for all new small scale funding agreements in accordance with UNEP Partnership Policy and Procedures.**

*UNEP accepted recommendation 6 and stated that it will be implemented immediately. Recommendation 6 remains open pending receipt of evidence showing that due diligence is conducted for all SSFA in accordance with UNEP Partnership Policy and Procedures.*

Controls for hiring consultants and individual contractors were satisfactory

29. The Secretariat hired consultants and individual contractors in accordance with ST/AI/1999/7 on consultants and individual contractors. A total of 22 consultants, involving payments of \$577,439 made between January 2011 and December 2013, and representing 50 per cent of the population, were selected for testing. OIOS assessed that the controls for selecting, hiring and payment of consultants and individuals contractors were in place, adequate and functioning satisfactorily.

#### **IV. ACKNOWLEDGEMENT**

30. OIOS wishes to express its appreciation to the Management and staff of the UNEP and CMS for the assistance and cooperation extended to the auditors during this assignment.

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

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of the United Nations Environment Programme Secretariat of the Convention on the Conservation of Migratory Species of Wild Animals

Recom. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
1	UNEP should propose a Memorandum of Understanding or service level agreement with the Conferences of the Parties of the Convention on the Conservation of Migratory Species of Wild Animals in order to clarify mutual expectations.	Important	O	Receipt of a signed memorandum of understanding or agreement between UNEP and the COP.	31 December 2014
2	The Executive Secretary of the Convention on Migratory Species of Wild Animals should complete a review of grading of posts in the Secretariat as requested by the Conference of Parties.	Important	O	Receipt of documentation showing the review of grading of posts in the CMS Secretariat, as requested by the COP.	31 December 2017
3	The Executive Secretary of the Convention on the Conservation of Migratory Species of Wild Animals should train staff in procurement processes to ensure compliance with the provisions of the Procurement Manual relating to solicitation and evaluation of quotations/bids.	Important	O	Receipt of evidence of the training provided to CMS Secretariat staff to ensure compliance with the provisions of the Procurement Manual relating to solicitation and evaluation of quotations/bids.	31 December 2014
4	The Executive Secretary of the Convention on Migratory Species of Wild Animals should ensure that appropriate legal advice is obtained before contracts are signed, particularly when standard contracts are not used.	Important	O	Receipt of evidence showing that measures are in place to ensure that appropriate legal advice is obtained before contracts are signed.	Immediately
5	The Executive Secretary of the Convention on the Conservation of Migratory Species of Wild Animals should ensure that vendors' signatures are obtained on purchase orders to confirm vendors' acceptance of terms and conditions.	Important	O	Receipt of evidence showing that vendors' signatures are obtained on purchase orders to confirm their acceptance of terms and conditions.	Immediately

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> C = closed, O = open

<sup>4</sup> Date provided by UNEP CMS in response to recommendations.

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of the United Nations Environment Programme Secretariat of the Convention on the Conservation of Migratory Species of Wild Animals

Recom. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
6	The Executive Secretary of the Secretariat of the Convention on the Conservation of Migratory Species of Wild Animals should conduct due diligence for all new small scale funding agreements in accordance with UNEP Partnership Policy and Procedures.	Important	O	Receipt of evidence showing that due diligence is conducted for all SSFA in accordance with UNEP Partnership Policy and Procedures.	Immediately

# **APPENDIX I**

## **Management Response**

## Management Response

## Audit of the United Nations Environment Programme Secretariat of the Convention on the Conservation of Migratory Species of Wild Animals

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNEP should propose a Memorandum of Understanding or service level agreement with the Conferences of the Parties of the Convention on the Conservation of Migratory Species of Wild Animals in order to clarify mutual expectations.	Important	Yes	Director, Office for Operations and Corporate Services	31 December 2014	The agreement between UNEP and CMS Parties may not take the form of an MoU but an agreement.
2	The Executive Secretary of the Convention on Migratory Species of Wild Animals should complete a review of grading of posts in the Secretariat as requested by the Conference of Parties.	Important	Yes	Executive Secretary	31 December 2017	CMS will seek extra-budgetary resources to conduct the review with a view to submitting the review to COP-12 in 2017
3	The Executive Secretary of the Convention on the Conservation of Migratory Species of Wild Animals should train staff in procurement processes to ensure compliance with the provisions of the Procurement Manual relating to solicitation and evaluation of quotations/bids.	Important	Yes	Executive Secretary	31 December 2014	UNEP/OfO will provide the CMS Secretariat with procurement training and the appropriate contract documents to be used and ensure that these are in place by the end of 2014.
4	The Executive Secretary of the Convention on Migratory Species of Wild Animals should ensure that appropriate legal advice is obtained before contracts are signed, particularly when standard contracts are not used.	Important	Yes	Executive Secretary	Immediately	Will be implemented immediately

<sup>1</sup> 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.

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

## Management Response

## Audit of the United Nations Environment Programme Secretariat of the Convention on the Conservation of Migratory Species of Wild Animals

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
5	The Executive Secretary of the Convention on the Conservation of Migratory Species of Wild Animals should ensure that vendors' signatures are obtained on purchase orders to confirm vendors' acceptance of terms and conditions.	Important	Yes	Executive Secretary	Immediately	Will be implemented immediately
6	The Executive Secretary of the Secretariat of the Convention on the Conservation of Migratory Species of Wild Animals should conduct due diligence for all new small scale funding agreements in accordance with UNEP Partnership Policy and Procedures.	Important	Yes	Executive Secretary	Immediately	Will be implemented immediately