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MEMORANDUM INTERIEUR

INTERNAL AUDIT DIVISION I OFFICE OF INTERNAL OVERSIGHT SERVICES

TO: Mr. Pierre Schori

DATE:

28 June 2006

A: Special Representative of the Secretary-General UNOCI

REFERENCE: AUD-7-5:76 (

FROM: Dagfinn Knutsen, Acting Director

DE: Internal Audit Division-I, OIOS

SUBJECT: OIOS Audit No. AP2005/640/11: UNOCI Quick Impact Projects

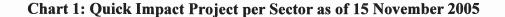
OBJET:

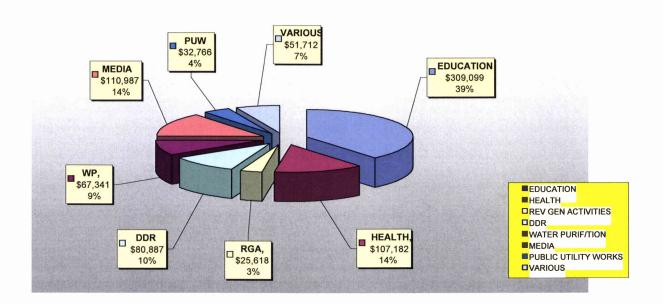
- 1. I am pleased to present herewith our final report on the audit of the above subject, which was conducted during October and November 2005. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
- 2. We note from your response to the draft report that UNOCI has generally accepted the recommendations. Based on the response, we are pleased to inform you that we have closed recommendations 4, 5, 9, 10 and 11 in the OIOS recommendations database. In order for us to close out the remaining recommendations (i.e., 1 to 3 and 6 to 8), we request that you provide us with additional information as indicated in the text of the report. Please refer to the recommendation number concerned to facilitate monitoring of their implementation status. Please note that OIOS will report on the progress made in implementing its recommendations, particularly those designated as critical (i.e., recommendations 2, 4, 7, 9, 10 and 11), in its annual report to the General Assembly and semi-annual report to the Secretary-General.
- 3. IAD is assessing the overall quality of its audit process and kindly requests that you consult with your managers who dealt directly with the auditors and complete the attached client satisfaction survey form.
- I take this opportunity to thank the management and staff of UNOCI for the assistance and cooperation provided to the auditor in connection with this assignment.

I. INTRODUCTION

The budget allocated for quick impact projects for the fiscal year 2004-2005 was \$800,000. Programme funds for the fiscal year 2005-2006 were increased to \$1,000,000.

6. Since the inception of UNOCI in April 2004, the QIPs Committee approved 68 projects in areas affected by the civil war. The approved major projects focused on education (\$309,099), healthcare, including water sanitation (\$107,182) and media relations (\$110,987). Chart 1 illustrates the general financial breakdown of all projects funded in 2004 to September 2005.





7. The comments made by the Management of UNOCI on the draft report have been included in the report as appropriate and are shown in italics.

II. AUDIT OBJECTIVES

- 8. The objectives of the audit were to determine whether:
 - The organizational structure and working methods of the QIPs Secretariat and Committee are conducive to effective and efficient programme management, including cooperation with other mission sections.
 - The projects support the overall mission mandate and where appropriate specific Mission substantive programmes' objectives.
 - QIPs comply with rules and regulations that govern projects' selection, funding, implementation, monitoring and reporting.

• There are effective management oversight and other internal controls systems relating to the disbursement of funds and recording of financial transactions.

III. AUDIT SCOPE AND METHODOLOGY

- 9. The audit work covered the period from the start of the mission operations in April 2004 to 30 September 2005. The audit included interviews with the P/DSRSG, D/SRSG who is the Chairman of the QIPs Committee, and QIPs Secretariat personnel. The interviews, coupled with an examination of projects files, were essential to understanding the QIPs operations and specific processes.
- 10. Audit tests were performed to assess the proper implementation of the United Nations Financial Regulations and Rules regarding QIPs and to determine whether the project approval process was transparent and fair.
- 11. Audit issues were discussed at a closing conference with the QIPs Secretariat and the Chief Administrative Officer.

IV. OVERALL ASSESSMENT

12. QIPs are considered to be one of the principal tools, especially at the early stages, of a mission to establish confidence and improve the image of the mission within local communities. As currently structured and staffed, the QIPs programme can neither effectively nor efficiently achieve the programme's objectives. It seriously risks causing damage to the UN credibility because of weak project evaluation and approval processes, which has already manifested in several incomplete and overdue projects and one case of suspected malfeasance. There is agreement by programme management that appropriately skilled resources are insufficient to discharge their responsibilities.

V. AUDIT FINDINGS AND RECOMMENDATIONS

A. QIPs terms of reference

13. The delegation of authority from UN Headquarters to UNOCI for QIPs, usually as an Annex to the programme's terms of reference, could not be provided to the auditor. QIPs in other peacekeeping missions have a 'delegated authority' document, as part of the programmes terms of reference. The delegation of authority does not only define the legal and operational context within which QIPs are managed but also it provides for a strong control over the implementation of QIPs and helps Mission Management avoid taking arbitrary decisions.

Recommendation 1

The UNOCI Management should request the 'delegation of authority' document from Headquarters and include it as part of the programme's terms of reference (AP2005/640/11/01).

14. The UNOCI Management accepted recommendation 1 and stated that QIPS Secretariat will prepare a draft in consultation with Legal Office for the SRSG's signature and submission to Headquarters, New York. Recommendation 1 remains open pending confirmation by UNOCI that it has been fully implemented.

B. Exceptional project approval

- 15. OIOS noted cases where projects were approved by the former SRSG either against the QIPs Committee recommendations or without submitting them to the Committee. Two local newspaper enterprises submitted projects (nos.129 and 130) but the QIPs Committee rejected them on the basis that providing technical equipment and office furniture to private enterprises are not in compliance with the QIPs terms of reference. Three other newspaper enterprises submitted another six projects (Project nos. 106, 161, 162, 163, 164, 165, 166 and 184), which the former SRSG approved without any involvement of the QIPs Committee. The SRSG insisted on providing financial support to these newspapers as they would, in his opinion, strengthen press freedom. This decision bypassed QIPs approval procedures and UN programme funding principles.
- 16. It should be noted that the above-mentioned cases do not constitute the only exceptions. OIOS' review of QIPs within the context of 2005-2006 budget identified four other projects approved by the SRSG without any QIPs Committee review or recommendation: project no. 199 for the construction of wooden models of explosive devices for population training in communities and project nos. 200, 201, 202 for the rehabilitation of 20 houses in Fengolo Village. With the exception of project no. 199, the other three projects are seriously behind their completion dates because executing agencies are not compliant with the project memorandum of understanding (MOU).

Recommendation 2

The UNOCI Management should ensure that all projects are brought before the QIPs Committee and discussed thoroughly prior to their approval by the SRSG (AP2005/640/11/02).

17. The UNOCI Management accepted recommendation 2 and stated that a Standard Operating Procedure (SOP) was developed and will be adapted as soon as it is approved by the QIPs Committee. The QIPs Committee terms of reference have been updated and will be presented at next committee meeting for approval. Recommendation 2 remains open pending confirmation by UNOCI that it has been fully implemented.

C. QIPs Committee decisions

18. The QIPs Committee is the executive organ charged with assisting the SRSG by evaluating and recommending project submissions in accordance with the programme's terms of reference (TOR). QIPs Committee decisions are not based on any consistent application of predetermined criteria. This has its origin in the absence of a TOR. OIOS understands that an initiative to prepare a TOR is now in progress.

19. As of 15 November 2005, a total of 13 projects (project nos. 15, 27, 34, 61, 68, 79, 106, 161, 162, 163, 164, 165, 166) out of 68 projects (19%) approved by the QIPs Committee are characterized as "default" since the executing agencies are not capable of fulfilling their responsibilities in line with the MOU. This may be attributed not only to the lack of proper evaluation and monitoring of projects but also to the absence of formal and objective criteria to assess projects which would filter and eliminate potentially problematic projects at the committee level. If the projects are not completed, the UN stands to lose as much as \$53,200, which will have to be reported to the Controller by the UNOCI Chief Finance Officer.

Recommendation 3

The UNOCI Management should draft the Terms of Reference for the QIPs Committee with the view to strengthening the project evaluation criteria and approval process (AP2005/640/11/03).

20. The UNOCI Management accepted recommendation 3 and stated that a draft was issued and will be presented at the next Committee meeting for approval. Recommendation 3 remains open pending confirmation by UNOCI that it has been fully implemented.

D. Rejected/cancelled projects

- 21. OIOS' review of sample files of rejected QIPs and minutes of the QIPs Committee meetings indicated that details explaining the rejection of a project proposal are not documented. Similarly, projects originally approved but subsequently cancelled are not supported with explanations.
- 22. A comparison of canceled and approved projects provided little persuasive evidence of why some projects were approved while other projects were rejected. This inconsistent approach to project evaluation undermines the need for a transparent and equitable project assessment and approval. This problem has its genesis in the absence of objective QIPs assessment criteria.
- 23. It should also be noted that the QIPs Secretariat neither keeps a file with records of complaints/clarification requests received either orally or received in writing nor are all rejected/cancelled projects systematically filed.

Recommendations 4 and 5

The UNOCI Management should:

(i) Ensure that project evaluation criteria are developed, approved and applied consistently to all project proposals received (AP2005/640/11/04); and

- (ii) Improve the archiving of QIPs files/documentation (AP2005/640/11/05).
- 24. The UNOCI Management accepted recommendation 4 and stated that project criteria for submission do exist as the QIPs Secretariat does the first filtering of project proposals. The criteria is simply that the project should be community based, visible, with a ceiling of not more than \$15,000 and should be implemented with three months. However, there is need to improve the monitoring and evaluation of the project cycle and to create a check list relating to the project implementation dates. The UNOCI Management also accepted recommendation 5 and stated that filing, archiving of documents has improved. The Secretariat keeps all projects in proper files. Based on the Mission's response, recommendations 4 and 5 have been closed.

E. Completeness and accuracy of documentation

- 25. OIOS selected a sample of 25 approved projects (5 completed and 20 ongoing out of 68 projects) submitted by Non-Governmental Organizations (NGOs) operating in various areas and/or local authorities and reviewed whether relevant documentation was complete and provided factual evidence. We noted that:
 - In 3 cases (projects nos. 25, 80, and 92), the approved project amount was initially higher than the \$15,000 permitted under the QIPs terms of reference. But, in all cases, the former Deputy SRSG amended the MOU and the amount was decreased to \$15,000.
 - In 9 out 25 cases (36%) of the sample, project progress reports were either not completed or not in the respective project file.
 - In one case (Project no. 165), the MOU was not signed by the SRSG.
 - In most cases, the documentation regarding the Chief Administrative Officer's approval was not filed.

Recommendation 6

The UNOCI Management should ensure that supporting documentation regarding quick impact projects is complete, accurate and appropriately filed (AP2005/640/11/06).

26. The UNOCI Management accepted recommendation 6 and stated that work is in progress, as the QIPs Secretariat has been requested to gather all necessary project documentation and file it properly. Recommendation 6 remains open pending confirmation by UNOCI that it has been fully implemented.

F. Delays in the completion of projects

27. As of 16 November 2005, only 15 out of 68 (22%) of the approved projects are completed. The average period for projects, from approval to completion, is approximately 9

weeks. In practice, however, projects are taking as much as 38 weeks. This is caused by the insufficient number of personnel within the QIPs Secretariat (three persons) to analyze and approve selected projects, and also by the problematic funding and monitoring process. In the latter part of the process, it is clear that there need for a mutual understanding between Finance Section and the QIPs Secretariat of the financial controls which must be respected before funding can be provided, e.g., full documentation in support of financial disbursements.

28. Of equal importance is the need to expedite project payments but only when project documentation satisfies the UN Financial Regulations and Rules. With the knowledge of at least one major project malfeasance (project no. 34) where the director of a school disappeared after having cashed \$7,000 or 70% of the approved project cost and multiple incomplete projects, the current practice of paying up to 70% of approved projects costs in advance without the corresponding monitoring controls is ill-advised. Current experiences warrant a more cautious and responsible approach to project funding, pending improvements in project evaluation and monitoring. This could be done by having a clearly defined funds distribution policy which would take into account and measure the assumed risks based on specific criteria.

Recommendations 7 to 9

The UNOCI Management should:

- (i) Strengthen the QIPs Secretariat either with additional resources or by developing support for its projects from other programmes, e.g., coordination between the QIPs Secretariat and different units such as the UN Police and Military Observers who are serving in the field could assist the QIPs Secretariat to discharge its role of evaluating project proposals and monitoring ongoing projects on site (AP2005/640/11/07);
- (ii) Ensure that the malfeasance case pertaining to Project No. 34, where the implementing partner absconded after receiving the \$7,000 cash advance, is investigated and appropriate action is taken (AP2005/640/11/08); and
- (iii) Establish a new fund distribution policy that takes into account the assumed project risks before releasing funds to implementing partners (AP2005/640/11/09).
- 29. The UNOCI Management accepted recommendation 7 and stated that even though one UNV from Civil Affairs was assigned to QIPs at Sector West (Man), there was lack of human resources to ensure proper monitoring of project implementation. It is important that an additional four National Officers are urgently requested to support the Secretariat. UN Police and MILOBs will be instructed to assist in monitoring implementation of projects at their area of operations. Recommendation 7 remains open pending confirmation by UNOCI that it has been fully implemented.

30. The UNOCI Management accepted recommendation 8 and stated that the QIPs Secretariat successfully pursued this matter. The funds were restored and the project is now ongoing. Recommendation 8 remains open pending confirmation by UNOCI that Project No. 34 has been completed. The UNOCI Management also accepted recommendation 9 and confirmed that it has already been implemented. Based on the action taken by the Mission, recommendation 9 has been closed.

G. DPKO Support for QIPs

- 31. OIOS noted that due to the lack of a focal point in DPKO, the QIPs Unit faced difficulties in obtaining assistance on various operational and administrative issues relating to QIPs such as the roles and tasks of QIPs unit, collaboration with other units of the Mission and/or other UN agencies vis-à-vis the implementation of the programme. This lack of support led to inefficiencies and prevented uniform implementation of the programme.
- 32. In view of the absence of clear guidelines and policies on QIPs, there has been an effort to set a forum among certain missions on QIPs to share experiences and knowledge in an effort to resolve common issues arising from the management of QIPs.

Recommendations 10 and 11

The UNOCI Management should:

- (i) Seek advice from DPKO on legal, financial and operational issues ensuring that actions to be taken are in line with rules and regulations (AP2005/640/11/10); and
- (ii) Discuss with DPKO opportunities to develop a QIPS database of 'best practices', e.g., survey of missions which have a QIPs programme (AP2005/640/11/11).
- 33. The UNOCI Management accepted recommendation 10 and stated that there was no focal point for QIPs at DPKO Headquarters. However, the Mission has contacted other missions such as UNMIL, UNMEE, MINUSTAH and MONUC and shared experience on operational and financial issues. Based on the Mission's response, recommendation 10 has been closed.
- 34. The UNOCI Management also accepted recommendation 11 and stated that the DPKO Best Practices Section issued a questionnaire to which the Mission replied, and it is hoped that the QIPs database will be available online for the benefit of all missions. Based on the Mission's response, recommendation 11 has been closed.

VI. ACKNOWLEDGEMENT

35. We wish to express our appreciation to the Management and staff of UNOCI for the assistance and cooperation extended to the auditors during this assignment.

Copy to:

Mr. Jean-Marie Guéhenno, Under-Secretary-General for Peacekeeping Operations

Mr. Philip Cooper, Acting Director, ASD/DPKO

Mr. Hubert Price, Chief Administrative Officer, UNOCI

UN Board of Auditors Programme Officer, OIOS

Mr. Terrence Norris, Chief Resident Auditor, UNOCI

UNITED NATIONS



OIOS Client Satisfaction Survey

Audit of: <u>UNOCI Quick Impact Projects</u> (AP2005/640/11)

		1	2	3	4	5
By checking the appropriate box, please rate:		Very Poor	Poor	Satisfactory	Good	Excellent
1.	The extent to which the audit addressed your concerns as a manager.					
2.	The audit staff's understanding of your operations and objectives.					
3.	Professionalism of the audit staff (demeanour, communication and responsiveness).					
4.	The quality of the Audit Report in terms of:					
	• Accuracy and validity of findings and conclusions;					
	• Clarity and conciseness;					
	Balance and objectivity;					
	• Timeliness.					
5.	The extent to which the audit recommendations were appropriate and helpful.					
6.	The extent to which the auditors considered your comments.					
Your overall satisfaction with the conduct of the audit and its results.						
Please add any further comments you may have on the audit process to let us know what we are doing well and what can be improved.						
Nar	me: Title:		I	Date:		

Thank you for taking the time to fill out this survey. Please send the completed survey as soon as possible to:

Director, Internal Audit Division-1, OIOS

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