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INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

OFFICE OF INTERNAL OVERSIGHT SERVICES · BUREAU DES SERVICES DE CONTRÔLE INTERNE
INTERNAL AUDIT DIVISION · DIVISION DE L'AUDIT INTERNE

TO: Mr. Achim Steiner, Executive Director
A: United Nations Environment Programme

DATE: 26 April 2012

REFERENCE: IAD: 12- 00327

FROM: Fatoumata Ndiaye, Director
DE: Internal Audit Division, OIOS



SUBJECT: **Assignment no. AA2011/220/04 – Audit of the Secretariat of the Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal**

Overall results relating to the effective administrative management by UNEP of the Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal were initially assessed as partially satisfactory. Implementation of three important recommendations remains in progress.

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

1. Attached please find the final report on the above-mentioned audit.
2. Annex I shows the status of recommendations.
3. Please note that OIOS will report on the progress made to implement its recommendations in its annual report to the General Assembly. OIOS will also report to the Secretary-General quarterly for critical recommendations and annually for important recommendations.
4. We wish to thank you for the assistance and cooperation extended to our auditors during this assignment.

cc: Mr. Jim Willis, Executive Secretary, Basel, Rotterdam, and Stockholm Conventions
Ms. Amina Mohamed, Deputy Executive Director, UNEP
Mr. Jean Christophe Bouvier, Audit Focal Point, UNEP
Ms. Anjana Das, Executive Secretary, UN Board of Auditors
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INTERNAL AUDIT DIVISION

AUDIT REPORT

Audit of the Secretariat of the Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal

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xx April 2012
Assignment No. AA2011/220/04

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AUDIT REPORT

Audit of the Secretariat of the Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the Secretariat of the Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal in Geneva, Switzerland.
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. The Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, also referred to as the Basel Convention (BC), entered into force on May 5, 1992 and is the most comprehensive global environmental treaty on hazardous substances and other wastes. The BC has 170 members (the Parties) and aims to protect human health and the environment against the adverse effects resulting from the generation, management, transboundary movements and disposal of hazardous and other wastes. The United Nations Environment Programme (UNEP) administers the BC.
4. The main functions of the Secretariat of the BC are to:(a) arrange for and service meetings; (b) receive and compile information from and to the Parties; (c) ensure the necessary coordination with relevant international bodies and competent authorities established by the Parties; and (d) co-operate with the Parties in the provision of experts and equipment for the purpose of rapid assistance in the event of an emergency situation.
5. The BC shares the common objective of protecting human health and the environment from hazardous chemicals and wastes with two other UNEP administered multilateral environmental agreements, the Rotterdam and Stockholm Conventions. Since 2005, the Conferences of the Parties of the three chemical and waste conventions have started a process of integration, aimed at increasing effectiveness in the programme implementation of the three Conventions and appointed, in April 2011, an Executive Secretary (ES) of the Basel, Rotterdam and Stockholm Conventions (BRSC), at the D-2 level, with a mandate to perform a re-organization process aimed at achieving the integration by 2013. The ES is supported by the 20 staff members of the Secretariat of the BC, 21 of the Rotterdam Convention and another 21 of the Stockholm Convention.
6. The BC operates two trust funds, the Basel Convention Trust Fund, that receives the assessed contributions based on an adjusted UN scale of contributions, and the Basel Convention Technical Cooperation Trust Fund that receives voluntary contributions for projects and activities. Actual expenditures for the years 2009 and 2010 amounted to \$4.9 and \$6.3 million respectively. For comparison purposes, key budget data on the three conventions are presented in Table 1.

Table 1. BRSC Budgeted expenditures and staff complement for 2009 and 2010 (in million of \$)

	Total Budgeted expenditures		Number of staff members 2009 / 2010
	2009	2010	
Basel Convention	9.138	9.205	20 / 20
Rotterdam Convention	4.721	5.680	21.25 / 21.25
Stockholm Convention	7.005	9.539	17.50 / 21

7. Comments provided by UNEP are incorporated in *italics*. OIOS acknowledges the action initiated by UNEP and the Executive Secretary of the BRSC to implement the recommendations made in this report and looks forward to receiving further updates on the status of their implementation.

II. OBJECTIVE AND SCOPE

8. The audit of the Secretariat of the BC was conducted to assess the adequacy and effectiveness of Secretariat's governance, risk management and control processes in providing reasonable assurance regarding **the effective administrative management by UNEP of the Basel Convention**.

9. This audit was performed at the request of UNEP to review a number of Multilateral Environmental Agreements to provide assurance that controls in place were working effectively.

10. The key controls tested for the audit were: (a) change management; (b) mandates and delegation of authority; (c) performance monitoring; and (d) regulatory framework. For the purpose of this audit, OIOS defined these key controls as follows:

(a) **Change management** – controls that provide reasonable assurance that there is a systematic approach to dealing with reform initiatives from the conceptual stage until after the first few years of implementation.

(b) **Mandates and delegation of authority** – controls that provide reasonable assurance on the clarity of the authority, roles and responsibilities of the BC and other United Nations entities involved in providing services to ensure efficient and effective programme delivery.

(c) **Performance monitoring** – controls that provide reasonable assurance that BC has established metrics on when and how programme activities are performed and that such activities are carried out in accordance with the metrics.

(d) **Regulatory framework** - controls that provide reasonable assurance that policies and procedures in the BC exist to guide the operations of the activity/programme.

11. The key controls were assessed for the control objectives shown in Table 2. The control objective shown in Table as 2 “Not assessed” was not relevant to the scope defined for this audit.

12. OIOS conducted this audit from 29 April 2011 to 27 July 2011. The audit covered the period from January 2008 to December 2010. Audit coverage was extended as necessary up to May 2011 to cover controls for changes in delegation of authority implemented during that time.

13. OIOS conducted an activity-level risk assessment to identify and evaluate 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

14. The Secretariat to the Basel Convention governance, risk management and control processes examined were assessed as **partially satisfactory** in providing reasonable assurance regarding **the effective administrative management by UNEP of the Basel Convention**. OIOS made three recommendations to address issues identified in the audit. Overall, the BC had established adequate controls for budget preparation and reporting of income and expenditure to the Parties. In addition, expenditures for the period 2008-2011 were aligned with the strategic framework for 2001-2011 and the approved work plan, and were within authorized limits. The BC effectively monitored cash advances to implementing partners. However, control deficiencies existed in change management, organization structures and performance monitoring of the three conventions as outlined below.

15. The initial overall rating of partially satisfactory was based on the assessment of key controls presented in Table 2 below. The final overall rating is partially satisfactory as implementation of three important recommendations remain in progress.

Table 2: Assessment of key controls

	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective administrative management by UNEP of the Basel Convention	(a) Change management	Partially satisfactory	Satisfactory	Satisfactory	Not assessed
	(a) Mandates and delegation of authority	Partially satisfactory	Satisfactory	Satisfactory	Satisfactory
	(b) Performance monitoring	Partially satisfactory	Satisfactory	Satisfactory	Satisfactory
	(c) Regulatory framework	Satisfactory	Satisfactory	Satisfactory	Satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Change management

No cost benefit analysis of integration of the three Conventions

16. The Conference of the Parties of the three UNEP-administered chemical conventions, the Basel, Stockholm, and Rotterdam Conventions concurrently adopted the “synergies decisions” in 2008-2009, and the “omnibus decisions” in 2010 with a view of integrating administrative and programmatic functions. Such a move was aimed at achieving better cost-effectiveness in the operations of the Secretariats and unifying their strategic direction under a common leadership. UNEP created the post of Executive Secretary (ES) of the BRSC, charged with the responsibility to perform the change management process in line with the above decisions. However, despite the aggregation of some

administrative services and the creation of the new post of the ES, a comprehensive analysis to clearly identify and quantify benefits and costs arising from the reorganization process had not been undertaken. The lack of a systematic approach to the planning of this major change management process had resulted in (a) uncertainty about the expected outcomes of the new organizational structure, (b) increased level of perceived anxiety about job security for current staff members, and (c) the impossibility to clearly determine the success or failure of the change management programme.

(1) The Executive Secretary of the Basel, Stockholm and Rotterdam Conventions should develop quantifiable objectives for the integration of the three Conventions and develop clear milestones and resources through consultation with stakeholders.

UNEP Management and the Executive Secretary of the BRSC accepted Recommendation 1. UNEP further stated that the proposal for reorganization of the Secretariat would include a section on management oversight and monitoring, which, inter alia, would describe how the Secretariat intends to measure the costs and benefits of implementing the new organization structure, as well as undertaking the synergy decision in general. Further elaboration of specific measurements could also benefit from input and guidance from the Parties of the Conventions. Recommendation 1 remains open pending receipt of the cost benefit analysis of the integration of the Conventions.

B. Mandates and delegation of authority

Responsibilities for the provision of Secretariat functions by UNEP could be further clarified

17. UNEP has been designated to carry out the Secretariat functions as per Article 16 of the Basel Convention. Though Article 16 mandates the main functions of the Secretariat, no formal Memorandum of Understanding (MOU) between UNEP and the governing bodies of the Convention has been signed to further clarify responsibilities of UNEP and the Convention for administrative and programmatic matters. *UNEP Management advised that, while it will formalize an MOU with the Parties of the Basel Convention, it is worth noting however that it is the sovereign decision of the Parties to decide whether they wish to enter into such an MOU.*

Job descriptions of the Executive Secretaries of the Basel, Stockholm and Rotterdam Conventions should be revised

18. Following the establishment of the post of ES of the Basel, Stockholm and Rotterdam Conventions, a delegation of authority was formally granted by the ED/UNEP to the new ES, and the delegation of authority previously given to the former Executive Secretary to the Basel Convention, and the former Executive Secretary to the Stockholm and Rotterdam Conventions were revoked. However, as at the time of the audit, the existing job descriptions of the two Executive Secretaries of the three Conventions were largely overlapping with that of the new ES, and needed to be revised to clarify their respective roles and responsibilities, as well as accountabilities

(2) The Executive Director of UNEP should revise the job descriptions of the Executive Secretaries of the Basel, Stockholm and Rotterdam Conventions to eliminate overlapping roles and responsibilities and clarify accountabilities.

UNEP Management accepted Recommendation 2 and stated that, on the basis of the flexibility provided to the Executive Secretary on the implementation of the decisions of all the Parties on joint managerial functions, and agreement between the Executive Secretary and UNEP, these positions will eventually be cancelled. As at 28 February 2012, the UNEP Executive Director issued and

affected new Terms of Reference and changed the names of both posts to Principal Advisor to the ES of the BRSC. However, there was no evidence that the two posts had been reclassified and advertised as required by UN Staff Rules and Regulations. Recommendation 2 remains open pending receipt of revised job descriptions of the Executive Secretaries of the Basel, Stockholm and Rotterdam Conventions issued in compliance with UN Staff Rules and Regulations requirements for re-classification and appointment.

C. Performance monitoring

Baselines and targets to monitor performance should be revised

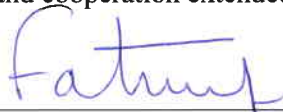
19. In its work plan for the period 2007-2011, the BC had indicated for each set of activities, the relevant mandate, expected output and performance indicators, which were however expressed mainly in narrative terms. The Open Ended Working Group (OEWG) at its 7th session in 2010 (UNEP/CHW/OEWG/7/21 page 45) approved measurable indicators of achievement and performance and requested the ES to use them in the preparation of the programme budget for the biennium 2012-2013. The budget at the time of this review was under preparation for submission and approval at the subsequent meeting of the Parties. In addition to those identified by the OEWG, additional indicators were proposed and added by the relevant programme managers. However, no attempt to define baselines for these additional indicators was made to enable tracking of performance targets and actual results.

(3) The Executive Secretary of the Basel, Stockholm and Rotterdam Conventions should request programmatic and administrative units to provide baselines and targets for the selected indicators included in the work plans to measure performance at year-end and monitor progress throughout the year.

UNEP Management accepted Recommendation 3 and stated that following the 2011 Conferences of the Parties, consolidated work-plans for the Basel and Rotterdam Conventions would follow the same approach and structure as for the Stockholm Convention. Where feasible, indicators and baselines from the 2009-2011 trienniums will be applied for consistency and new indicators will be developed where needed. Recommendation 3 remains open pending receipt of revised work plans that include baselines and targets for the selected indicators.

IV. ACKNOWLEDGEMENT

20. OIOS wishes to express its appreciation to the Management and staff of the Secretariat of the Basel, Rotterdam and Stockholm Conventions and the United Nations Environmental Programme for the assistance and cooperation extended to the auditors during this assignment.



Ms. Fatoumata Ndiaye, Director
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STATUS OF AUDIT RECOMMENDATIONS

**Audit of the Secretariat of the Convention on the Control of Transboundary Movements of
Hazardous Wastes and their Disposal**

Recom. no.	Recommendation	Critical¹/ important²	C/ O³	Actions needed to close recommendation	Implementation date⁴
1	The Executive Secretary of the Basel, Stockholm and Rotterdam Conventions should develop quantifiable objectives for the integration of the three Conventions and develop clear milestones and resources through consultation with stakeholders.	Important	O	Receipt of a cost benefit analysis of the integration of the Conventions.	31-12-2012
2	Executive Director of UNEP should revise the job descriptions of the Executive Secretaries of the Basel, Stockholm and Rotterdam Conventions to eliminate overlapping roles and responsibilities and clarify accountabilities.	Important	O	Receipt of revised job descriptions of the reclassified posts of Principal Advisors to the Executive Secretaries of the Basel, Stockholm and Rotterdam Conventions, issued in compliance with UN Staff Rules and Regulations requirements for re-classification and appointment.	31-03-2012
	The Executive Secretary of the Basel, Stockholm and Rotterdam Conventions should request programmatic and administrative units to provide baselines and targets for the selected indicators included in the work plans to measure performance at year-end and monitor progress throughout the year.	Important	O	Receipt of revised work plans that include baseline and targets for the selected indicators.	31-12-2012

1 Critical recommendations address significant and/or pervasive deficiency or weakness 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 [client] in response to recommendations. [Insert "Implemented" where recommendation is closed; (implementation date) given by the client.]