



**Convention on
Biological Diversity**

Distr.
GENERAL

UNEP/CBD/COP/10/INF/9
5 August 2010

ENGLISH AND FRENCH
ONLY

**CONFERENCE OF THE PARTIES TO THE
CONVENTION ON BIOLOGICAL DIVERSITY**

Tenth meeting

Nagoya, Japan 18-29 October 2010

**REPORT OF THE AUDIT OF THE SECRETARIAT OF THE CONVENTION ON
BIOLOGICAL DIVERSITY**

Note by the Executive Secretary

1. The Executive Secretary is transmitting herewith, for the information of participants in the tenth meeting of the Conference of the Parties, the report of the United Nations Board of Auditors on its review of the financial accounts as well as the financial and administrative internal procedures of the Secretariat, undertaken in October 2009 in the context of the audit of 2008-2009 financial statements of the United Nations Environment Programme (UNEP).
2. The report is being issued in the languages in which it was circulated by the United Nations Board of Auditors.

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**MANAGEMENT LETTER ON THE SCBD
(FINANCIAL PERIOD 2008-2009)**

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I. OBJECTIVES AND SCOPE OF THE AUDIT

1. As announced in the notification letter dated 17 July 2009, a team of two external auditors reviewed the Secretariat of the Convention on Biological Diversity (SCBD) in Montreal between 12 October and 23 October 2009. The objectives of our audit were (a) to review how the United Nations Environment Programme (UNEP) discharges its responsibilities for this Secretariat's administrative and financial management, and (b) to determine whether the consolidation of the SCBD's financial statements with those of the UNEP has introduced any anomaly or possible inaccuracy.
2. Our audit was conducted in accordance with the relevant General Assembly Resolutions, Article VII of the United Nations Financial Regulations and Budgetary-Management Rules, and the annex thereto.
3. Every observation or recommendation has been examined with the staff in charge. The exit conference with the SCBD's Executive Secretary, Mr. Ahmed Djoghlaflaf took place on 23 October 2009. Management agreed with the thrust of our remarks. Their comments have been fully taken into account.

II. BACKGROUND

4. The Convention on Biological Diversity (CBD) is a Multilateral Environmental Agreement (MEA) adopted during the Earth Summit in Rio de Janeiro in 1992, and has been in force since 29 December 1993. Currently, 191 States are party to the Agreement. The Convention has three main goals: to conserve biological diversity (or biodiversity); to use its components sustainably; and to share justly and equitably the benefits from using genetic resources. The CBD is considered to be the key document for sustainable development.
5. A governing body known as the Conference of the Parties (COP) is responsible for implementing the Convention. The COP has a Secretariat which fulfils the functions defined in Article 24 of the CBD, namely "(a) To arrange for and service meetings of the Conference of the Parties provided for in Article 23; (b) To perform the functions assigned to it by any protocol; (c) To prepare reports on the execution of its functions under this Convention and present them to the Conference of the Parties; (d) To coordinate with other relevant international bodies and, in particular to enter into such administrative and contractual arrangements as may be required for the effective discharge of its functions; and (e) To perform such other functions as may be determined by the Conference of the Parties".

6. The COP has designated the UNEP to administer its Secretariat, in accordance with Article 24 of the CBD: “The Conference of the Parties shall designate the secretariat from amongst those existing competent international organizations which have signified their willingness to carry out the secretariat functions under this Convention”. The relationship between the UNEP and the CBD is governed by the Administrative Arrangements agreed between UNEP’s Executive Director and the CBD’s Executive Secretary on 30 June 1997 and approved by the COP at its fourth session in May 1998, in Annex III of the document UNEP/CBD/COP/4/24.

7. On 28 January 2000, some CBD members agreed an additional protocol on biosafety, also known as the Cartagena Protocol. This Protocol came into force on 11 September 2003. It has its own governing body, provided by the CBD’s COP, convened as the Meeting of the Parties of the Cartagena Protocol (COP-MOP). The purpose of the Protocol is to control transboundary movements of genetically-modified organisms (“*the movements of living modified organisms (LMOs) resulting from modern biotechnology from one country to another*”). The Protocol forms part of the CBD and is not a separate Convention. The CBD’s Secretariat is therefore also the Secretariat for the Protocol.

8. The Convention initially had offices in Geneva, but moved permanently to Montreal in 1996. The Secretariat for the CBD and the Protocol managed a budget of \$21.2 million in 2008. The forecast figure for 2009, comprising contributions paid by the parties both according to a scale of assessment and also voluntarily, was \$21.7 million. At 31 December 2008, the SCBB employed 73 people, including 55 international staff (employees in category P or above).

9. Expenses relating to the CBD’s and Protocol’s core programme (the Secretariat’s standard expenses including establishment costs, administration expenses, overheads and the cost of drafting and translating documents, etc.) and to staff participation in conference meetings and meetings of Parties and their subsidiary bodies, are financed by General Trust Funds. The General Trust Funds receive resources mainly as contributions from the Parties paid on a variable scale of assessment according to the share each pays to the United Nations to meet the Organization’s expenses. They comprise the following:

- The General Trust Fund for the CBD, identified as the BYL, set up by the COP Decision I/6,
- The General Trust Fund for the Core Programme Budget for the Biosafety Protocol identified as the BGL.

10. Additional extra-budgetary expenses (i.e. those not financed by contributions based on a scale of assessment) for technical assistance and for enabling developing countries and countries in transition to participate in Convention meetings are financed by additional voluntary contributions that are allocated to General Trust Funds for Voluntary Contributions and to Special Voluntary Trust Funds. There are five such funds:

- BEL: the General Trust fund for Additional Voluntary Contributions in Support of Approved Activities, set up under Decision VII/33. This Fund tracks voluntary contributions assigned to the core programme;

- BZL: the General Trust Fund for Voluntary Contributions to Facilitate the Participation of Parties in the Process of the Convention on Biological Diversity, set up under the same Decision;
- VBL: the General Trust Fund for Voluntary contributions facilitate the Participation of Indigenous and Local Communities in the work of the CBD, set up under Decision VII/16G;
- BIL: The Special Voluntary Trust Fund to Facilitate the Participation of Parties, in particular the Least Developed and the Small Island Developing States amongst them, and Parties with Economies in Transition, set up under Decision BS-I/10 (COP convened as the Conference of Parties to the Cartagena Protocol);
- BHL: The Special Voluntary Trust Fund for the Additional Voluntary Contributions in Support of Approved Activities (Decision BS-I/10; COP convened as the Conference of Parties to the Cartagena Protocol).

III. LIST OF RECOMMENDATIONS

- a) To close the BVL Trust Fund and remove it from UNEP financial statements;**
- b) To update the Administrative Arrangements agreed on 30 June 1997 as soon as possible;**
- c) To enhance the efforts with Parties to find alternatives to accumulation of reserves in the BGL Fund;**
- d) To continue to make efforts to follow up donors in order to reduce to an absolute minimum the accumulated reserves on Funds financed by voluntary contributions on 31 December 2008;**
- e) To comply with the regulation on results-based budgeting, and in particular to ensure that all deliverables are quantified and specified, in order that the extent to which objectives have been reached may be properly assessed;**
- f) To group the purchase of goods into stock (for instance, monthly or quarterly orders) in order to limit the administration associated with the order and the payment, and to benefit from a wholesale price,**
- g) For the next tender for travels : (a) to estimate more accurately the annual cost of the plane tickets on which the specification is based, (b) to maintain rigorous selection procedures but to shorten deadlines, (c) to make it more evident in the contract that the benefits offered by the selected business are realized after the contract starts to run;**
- h) To devote effort to reducing vacant posts, and to work with the UNEP to improve recruitment times, and**
- i) With respect to hand-carried cash: (a) to ensure that any officers handling cash are officially designated; (b) to work with the UNEP and the UNON to supplement the written procedure covering the payment of travel expenses in cash; (c) to clarify how responsibilities are split between the SCBD and its officers when cash is carried; and (d) to undertake efforts to minimize the use of hand-carried cash.**

IV. DRAFT OBSERVATIONS AND RECOMMENDATIONS

1. Follow-up of previous recommendations

1.1. Recommendations of the Board of Auditors

11. We reviewed the status of implementation of our previous recommendations (Board Report dated 16 May 2008 on the two-year period ended 31 December 2007) and noted that out of the seven recommendations, four were implemented (58 per cent), one was under implementation (14 per cent) one was not implemented (14 per cent) and one was overtaken by events (14 per cent), as shown in Table 1 below:

Table 1: Summary of status of implementation of recommendations (Report of the Board of Auditors on the period ending 31 December 2007)

<i>Topic</i>	<i>Implemented</i>	<i>Under implementation</i>	<i>Not implemented</i>	<i>Overtaken by events</i>	<i>Total</i>	<i>Relevant paragraphs in the original report</i>
Presentation of the financial statements				X		20
Inclusion of the BVL Trust Fund in the financial and administrative reports presented to the Convention	X					24
Closure of the BVL Fund and transfer of its reserves to the donor or to another programme		X				28
Reconciliation of Secretariat figures for contributions with those in the financial statements	X					31
Benefits due to staff when they cease work and after their retirement	X					36
Results-based budgeting and management			X			39
Procurement plan	X					43
Total number	4	1	1	1	7	
Percentage of total	58	14	14	14	100 %	

12. Recommendations not implemented, under implementation or overtaken by events are discussed later in this letter.

1.2. Internal Audit findings

13. The Office of Internal Oversight Services (OIOS) issued an audit report dated 17 May 2006 (SCBD/AA2006/220/03) on the SCBD's governance, administration and finances. We reviewed the measures taken by the SCBD to ensure that the OIOS's recommendations were implemented. When a recommendation had not yet been implemented, we took it into consideration during our audit.

14. Recommendations related to the following areas:

- Negotiations in order to obtain free rent
- Conference services
- Human resources management
- Financial management
- Procurement and contracts
- Asset and inventory management
- Information and communication technologies
- Security

2. **Presentation of the financial statements**

2.1. Form of the financial statements

15. In paragraph 20 of our Report dated 16 May 2008 on the presentation of the SCBD's Financial Statements for the period ending 31 December, we recommended that at the close of the next two-year period, the SCBD submit a full set of financial statements, including a Cash-flow Statement and Notes to the Financial Statements, as required under Paragraph 7 of the United Nations System Accounting Standards (UNSAS).

16. Paragraph 7 of the UNSAS states that *“The objective of financial statements is to provide information about the financial position and performance of the organization, changes in its financial position, and compliance with legislative and other authorities. Notes to the financial statements are an integral part thereof and should be grouped together in one place. A complete set of financial statements subject to audit should in all cases include: a statement of income and expenditure and changes in reserves and fund balances (Statement I), a statement of assets, liabilities, and reserves and fund balances (Statement II), a statement of cash flow, (Statement III), using either the indirect (Option A) or direct (Option B) method, Note 1 to the financial statements comprising a statement of the organization’s objectives, and Note 2 to the financial statements comprising a statement of significant accounting policies. For organizations with assessed budgets, the audited financial statements should also include a statement or schedule of appropriations (Statement IV or Schedule 1.1) and a detailed schedule of assessed contributions outstanding for the regular budget”*.

17. The SCBD indicated to us that it would not comply with this recommendation, since the SCBD’s Financial Statements are included within those of the UNEP, which contain all the necessary detail, and the UNEP did not consider it necessary to provide a full set of detailed financial statements either for the SCBD or for the other Multilateral Environmental Agreements (MEA) for which it maintains the accounts.

18. According to the Administrative Arrangements agreed between the CBD and the UNEP, the SCBD’s accounts are indeed kept by the UNEP (via the UNON under a service agreement). They are included within the UNEP’s Financial Statements, which must be presented in a form that complies with the UNSAS. The financial statements of MEAs being included as an integral part of UNEP, they will be subject to audit by the Board of Auditors when we audit the UNEP financial statements relating to the 2008-2009 period. We will determine when reviewing the UNEP financial statements their compliance with UNSAS requirements. Therefore the recommendation made in paragraph 20 of the Board’s report dated 16 May 2008 can be considered as overtaken by events.

2.2. Trust Fund for the CBD’s Interim Secretariat (BVL)

19. The Trust Fund for the Establishment of the Interim Secretariat of the Biological Diversity Convention (BVL) was opened to facilitate setting up the SCBD. The UNEP’s governing body approved its closure in February 1997, by which time the Secretariat was properly established.

20. Paragraph 44 of the Secretary General’s Bulletin ST/SGB/188 states that a Trust Fund *“may be closed only by the authority which established it or as required in its terms of reference”*. Although the decision to close the Fund was taken in February 1997, and the Fund had not been active since that date, the BVL Fund still appeared in the Financial Statements of the SCBD, and hence those of the UNEP, on 31 December 2008. It showed an accumulated surplus (reserves and fund balances at the end of the period) of \$429,411.

21. Paragraph 46 of Bulletin ST/SGB/188 states that *"Any balance remaining at the time a Trust Fund is closed will be disposed of in a manner consistent with the purposes of the Fund"*. In Paragraph 28 of its report on the accounts for the period ended 31 December 2007, the Board recommended to the SCBD that it reclassify the surplus on the VBL Fund as a liability, unless the donor authorized the use of the surplus for another programme.

22. The UNEP (letter dated 8 December 2004) and the SCBD (letter dated 23 February 2007) have already sent to the donor several letters asking for authorization to transfer the surplus balance on the BVL Fund to the BEL Trust Fund. The donors gave consent to this request.

23. In a letter dated 25 March 2009, the SCBD asked the UNEP to close the account and transfer the surplus to the BEL Fund. We checked the trial-balance entries for the BVL and BEL Funds at the audit date, and they showed that the excess had in fact been transferred to the BEL Fund.

24. **We recommend that UNEP close the BVL Trust Fund and remove it from its financial statements.**

25. We will confirm during the audit of the UNEP's Financial Statements relating to the period 2008-2009 that the BVL Fund has been closed correctly.

2.3. Terms of reference for funds used to finance the SCBD

26. The SCBD is financed by Trust Funds created either by the CBD's Conference of Parties (BYL, BEL, BZL and VBL), or by the Meeting of the Parties to the additional Protocol (BGL, BIL and BHL).

27. Normally, the decisions that set up a fund provide precise detail that enables internal financial checks verifying that every expense is incurred in accordance with the fund's objective. This is the case for the COP's Decision I/6 setting up the BYL Fund provided for the Fund's normal running expenses. The Decision states that *"the Trust Fund shall be used for funding the administration of the Convention including the functions of the Secretariat"*.

28. Under Rule 105.6 of the United Nations Financial Regulations and Rules, *"Approving officers are designated to approve the entry into the accounts of obligations and expenditures relating to contracts, agreements, purchase orders and other forms of undertaking, after verifying that they are in order and have been certified by a duly designated certifying officer... Approving officers must maintain detailed records and must be prepared to submit any supporting documents, explanations and justifications requested by the Under-Secretary-General for Management"*.

29. We noted that the terms of reference for certain funds, for instance the Special Voluntary Trust Fund to Facilitate the Participation of Parties, in particular the Least Developed and the Small Island Developing States amongst them, and Parties with Economies in Transition (BIL) and the General Trust Fund for Voluntary Contributions to Facilitate the Participation of Parties in the Process of the Convention on Biological Diversity (BZL), provided no information on the nature of the expenses financed. In these circumstances, we are concerned by the extent of the checking that can be done, in particular by the officers in Nairobi who approve the expenses. In addition, the approving officers did not have supporting documentation sent by the SCBD when they approve and record the SCBD's expenses.

30. We consider that the scope of the checks of Convention expenses exercised by approving officers in Nairobi constitutes an area of risk for the UNEP. We will confirm this during the audit of the UNEP's Financial Statements relating to the period 2008-2009, and we will issue recommendations if appropriate.

3. Administrative Arrangements

31. The relationship between the UNEP and the CBD is governed by the Administrative Arrangements agreed between UNEP's Executive Director and the CBD's Executive Secretary on 30 June 1997. These arrangements were approved by the COP at its fourth session in May 1998, in Annex III of the document UNEP/CBD/COP/4/24.

32. Some technical areas of the current Administrative Arrangements appear outdated and require revising:

- Article 6 of the arrangements provides for an Appointment and Promotion Board at the CBD's headquarters. Its purpose is to advise the UNEP's Executive Director on matters relating to personnel. This Board has never been constituted;
- Article 12, which describes the recruitment process, no longer complies with the regulation defined in the United Nations System;
- Article 23, which lists the Trust Funds set up to enable the CDB to function, was not updated as some funds are not included: the Funds BGL, BHL, BIL and VBL;
- Article 27 refers to a bank account which is no longer used for depositing contributions;

33. The Administration Secretary proposed a new version of the arrangements to the UNEP on 5 January 2006. In response, the UNEP undertook to revise all the Multilateral Environment Agreements.

34. At the audit date, the arrangements had not been updated, even though on 6 October 2008, the SCBD had again suggested to the UNEP that they were revised.

35. SCBD and UNEP agreed with our recommendation to update the Administrative Arrangements agreed on 30 June 1997 as soon as possible.

4. Reserves and fund balances

36. The SCBD's budget and its consolidated financial position in 2008 are summarized in the following tables.

Table 2: SCBD budget (in dollars)

<i>Fund</i>	<i>2008 (implemented)</i>	<i>2009 (forecast)</i>
BYL	9,403,808	11,391,900
BEL	6,470,131	4,780,850
BZL	1,800,138	1,808,000
VBL	512,766	226,000
BIL	287,988	0
BHL	723,186	895,650
BGL	1,974,097	2,611,800
Total	21,172,114	21,714,200

Source: UNON-UNEP Financial Statements 2008, COP UNEP/CBD/COP/DEC/IX/34 and COP MOP 4 BS/IV-17 for 2009

Table 3: Consolidated financial position in 2008 (in dollars)

<i>Fund</i>	<i>Amount</i>
Income	21,172,114
Expenditure	20,548,936
Surplus	623,178
Adjustment for previous period	(17,864)
Net surplus	605,314
Transfers to operating reserves	697,691
Opening reserves	10,026,876
Closing reserves	11,329,881

Source: UNON-UNEP Financial Statements 2008, BYL, BEL, BZL, VBL, BIL, BHL and BGL funds

37. At 31 December 2008, the accumulated reserves (\$11.3 million) represented over half the SCBD's annual budget of around \$21.2 million. We considered carefully how to interpret these accumulated reserves. In particular, we queried the apparent high level of reserves as a justification to prompt a commensurate reduction in contributions from Parties.

38. The detail of the accumulated reserves in each Fund was as follows on 31 December 2008.

Table 4: **Accumulated reserves by Fund in 2008 (in dollars)**

Fund	Closing reserves
BYL	(1)
BEL	6,951,638
BZL	1,461,852
VBL	412,711
BIL	188,817
BHL	147,394
BGL	2,167,470
Total	11,329,881

Source: UNON Financial Statements 2008, BYL, BEL, BZL, VBL, BIL, BHL and BGL funds

39. The SCBD explained to us that the Funds BYL and BGL should be distinguished from the others. The BYL and BGL Funds are financed by contributions from Parties that are based on a scale of assessment. They cover the expenses of the CBD's and Protocol's core programme. The other Funds are financed from voluntary contributions by Parties, and are intended either to supplement the core-programme funding, or to pay for developing countries and countries in transition to participate in Convention meetings.

4.1. General Trust Funds financed by contributions based on a scale

40. The BYL and BGL Funds cover core-programme costs that are approved by the Conference of Parties and recur each year. The SCBD and the Parties have undertaken gradually to reduce contributions to these Funds, determined by level of accumulated reserves. Hence the reserve for the BYL Fund was reduced to zero (-1) in the accounts for 2008.

41. At 31 December 2008, the reserve on the BGL Fund was \$2.1 million, and expenses of \$2 million were recorded in the same year. The SCBD indicated that it had the same intention of reducing the accumulated surplus on the BGL Fund at the end of the period 2009-2010 (the MEAs' biannual budgetary period is out of step with the United Nations' biannual accounting period). In its Decision BS-IV/7 approving the budget for the Cartagena Protocol for 2009 and 2010, the COP-MOP decided to use \$740 000 of the surplus as financial resources for the period: all other things being equal, this will leave an accumulated surplus of \$1.3 million at the end of 2010.

42. This theoretical accumulated surplus still represented 23.6 per cent of the total projected expenditure of \$5.5 million (\$5,492,700) in the BGL-Fund budget for 2009 and 2010.

43. **We recommend that the SCBD enhance its efforts with Parties to find alternatives to accumulation of reserves in the BGL Fund.**

4.2. General Trust Funds financed by voluntary contributions

44. The SCBD has explained to us that it has no control over the year-end surpluses recorded in the BEL, BZL, VBL, BIL and BHL Funds, since:

- voluntary contributions may extend over several years and the programme may not always use all surpluses by the end of a particular year,
- donors may earmark voluntary contributions for a narrowly-defined purpose, and it is not possible to reassign the funds to another project without the donor's agreement.

45. We consider it important that the SCBD systematically contacts the donors when there is a surplus at the end of a project, so that funds not employed may be used and surpluses reduced to the absolute minimum. We did find letters sent by the SCBD to donors for this purpose (for instance, File SCBD/RMCS/MR-H/66170 and File 28N4333/29).

46. **We recommend that SCBD continue to make efforts to follow up donors in order to reduce to an absolute minimum the accumulated reserves on Funds financed by voluntary contributions on 31 December 2008.**

47. In response to this recommendation, the SCBD explained that it had no authority to dictate to Parties to the CBD or the Cartagena Protocol how their own reserves should be used. Although we understand their position, our view is that these figures appear in the UNEP's Financial Statements, and thus form part of the published information on the UNEP's financial position. We therefore consider that reducing them to the minimum required would demonstrate good management. If it cannot do so, the UNEP could set out the consequences and supply details of the special nature of the reserves in the Notes to the Financial Statements. This issue will be further investigated during the audit of UNEP's Financial Statements for the period ending 31 December 2009.

5. **Results-based budgeting and management**

48. According to the report by the Secretary-General of the United Nations (A/54/456), results-based budgeting (RBB) is a budget planning process which emphasizes the close link between measurable results and the resources allocated to them. The report defines it as "*A programme budget process in which: (a) programme formulation revolves around a set of predefined objectives and expected accomplishments; (b) expected accomplishments justify the resource requirements which are derived from and linked to the outputs required to achieve such accomplishments; and (c) performance in achieving expected accomplishments is measured by performance indicators*".

49. The use of indicators such as those defined previously is imposed by the Secretary General's Bulletin ST/SGB/2000/8, entitled *Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation*, and particularly in Rule 107.1.

50. The 2009-2010 budget of the CBD and the Protocol is based on a strategy (UNEP/CBD/COP/9/27/Add.1) that forecasts for each programme the results expected, the means used to obtain them, and the deliverables.

51. For instance, the indicators for Programme A, Office of the Executive Secretary, are as follows:

- Expected results: *The convention and Protocol bodies are provided with the services and support necessary for the convening of official meetings;*
- Means: *Oversight of preparation of conference facilities, accreditation and registration systems; distribution of documentation; negotiation of host Government agreements; mobilization of human and financial resources;*
- Deliverables: *Well-organized and serviced Convention and Protocol meetings; accredited, registered and, as appropriate, funded delegates; timely submission of documents.*

52. The Advisory Committee on Administrative and Budgetary Questions (ACABQ) has several times stressed (for instance, in its report A/63/746) that performance indicators and outputs should be expressed in SMART (*specific, measurable, attainable, relevant and time-bound*) terms.

53. The indicators do not meet this objective. Neither the means nor the deliverables are either quantified or specified. It is therefore not possible to measure them.

54. Consequently, the SCBD's strategy for programme budgeting does not comply with the requirements imposed by the Bulletin ST/SGB/2000/8.

55. **SCBD agreed with our recommendation to comply with the regulation on results-based budgeting, and in particular to ensure that all deliverables are quantified and specified, in order that the extent to which objectives have been reached may be properly assessed.**

6. Procurement and contract management

56. Procurement is managed by the Contracts and Procurement Section. Article 5.12 of the United Nations Financial Regulations and Rules (UNFRR) states that "*procurement functions include all actions necessary for the acquisition, by purchase or lease, of property, including products and real property, and of services, including works*". Rule 105.12 lists the four general principles governing procurement: best value for money; fairness, integrity and transparency; effective international competition; and the interest of the United Nations.

57. In addition, the Memorandum of 15 October 2003 from the UNON's Director of Administrative Services decentralized procurement at UNEP offices outside Nairobi (Decentralization of Procurement at the UNEP Offices Away from Nairobi). This Memorandum applies to the SCBD. It states that the direct-approve procurement of goods and services applies to amounts capped at \$70,000. Purchases between \$70,000 and \$150,000 must be approved by a Procurement Review Group. For purchases above \$150,000, the UNON's Procurement and Travel Office must be involved. An analysis of purchases by the SCBD for the years 2008-2009 shows that none of them exceeded the \$70,000 threshold. The largest purchase was for renewing computer equipment (\$23,000) in 2008.

58. Purchases are made following an informal competitive procedure (request for quotation) or by approaching a supplier directly if the amount does not exceed \$1,000. The SCBD wished to lower the official limit of \$2,500. Thus for any purchase costing less than \$1,000, three suppliers are selected to compete. In line with the recommendation in Paragraph 43 of the report from the Board of Auditors for the period ended 31 December 2007, a purchasing plan had been implemented, covering essentially equipment and the provision of external services.

59. Nevertheless, goods are still purchased occasionally, depending on demand, without considering possible savings in terms of bundled prices and workload. For instance, 37 orders for office stationery were placed in 2008, sometimes for a single item, and always with the same supplier.

60. SCBD agreed with our recommendation to group the purchase of goods into stock (for instance, monthly or quarterly orders) in order to limit the administration associated with the order and the payment, and to benefit from a wholesale price.

61. The largest contract is for arranging travel, for a period of three years from July 2007 to July 2010. The contract tender was launched by the SCBD on 18 August 2006. Since it was for a stated annual amount of \$3 million, the tender was managed together with the UNEP, as provided in the Memorandum on procurement referred to above. Bids were solicited from the following eight travel agencies, which were chosen based on their profile and reputation in Canada: Vision 2000 Group Travel, HRG North America, BCD (KN) Travel, Groupe Encore ITS, Carlson Wagonlit, Millette Keller and Associates, Amex Canada Inc. and MKI Travel & Conference Management Inc. The selected businesses had until 30 September 2008 to submit their proposals. Five of them ultimately responded: Vision 2000 Travel Group, BCD Travel, Millette Keller & Associates, Amex Canada Inc. and MKI Travel & Conference Management Inc.

62. The five proposals were sent to the five members of the Selection Committee, comprising the UNON's Chief, Travel, Shipping & Visa, the SCBD's Financial Services and Human Resources Manager, the Head of the SCBD's Organization and Conferences Service, a Travel Assistant from the SCBD and a Travel Officer from the International Civil Aviation Organization (ICAO). The Selection Committee met three times to decide how to assess the proposals (assessment matrix), then to review the proposals. Each Committee member filled in individually the proposal analysis table in its final form, and their scores were compiled for the final assessment. Weightings were assigned based on three criteria: the presentation of the proposal (10 per cent), the technical offering (50 per cent), and the financial proposal (30 per cent). In the event, the remaining 10 per cent were not used.

63. The proposal from MKI Travel proved the best in terms of both its technical and financial specification. However, it stipulated that in order for the SCBD to obtain a 3 per cent average cash back, it would need to spend \$3 million on ticket purchases. However, due to the reduction of the voluntary contributions, this figure was not reached, making the financial proposal much less attractive. Table 5 shows that the annual amount of \$3 million was not reached :

Table 5: Value of orders placed with MKI Travel

Year	Amount (in Canadian dollars)	Equivalent in US dollars
2008	1,387,157.53	1,341,854.90
2009 (Jan - Sept)	669,569.70	559,250

64. In addition, the final contract signed on 22 May 2007 bore a hand-written note indicating that a signing bonus had been paid in full. We could not find any record of such a payment. On the other hand, the SCDB was given a discount of \$25,000 for tickets purchased in April 2007 for a conference in Paris. Since MKI was already acting as travel agent for the SCBD, the Co-contractor effectively paid the bonus before the contract either was signed or started to run (on 1 July 2007). Such a discount should correctly be given after the contract is signed and not before: otherwise, its legal status may be jeopardized.

65. Lastly, eight months (18 August 2006 – 12 March 2007) elapsed between sending out the invitations to tender (i.e. excluding the thought and work beforehand that went into the specification) and sending out the letter announcing the name of the business selected. This lead time does not appear justified by the means used to review the five businesses that responded.

66. **SCBD agreed with our recommendation that when it next tenders for travel: (a) it estimates more accurately the annual cost of the plane tickets on which the specification is based, (b) it maintains rigorous selection procedures but shortens deadlines, and (c) makes it more evident in the contract that the benefits offered by the selected business are realized after the contract starts to run.**

7. Human resources management

67. The OIOS's 2006 report highlighted the high number of staff vacancies (27 per cent, or 21 posts). At the end of September 2009, only two posts were vacant. The SCBD has devoted effort to filling the vacancies.

68. Twelve people were recruited in 2008 and 2009 (three in 2008 and nine in 2009). The recruitment procedures were followed. Nevertheless, the interval between one member of staff leaving and another arriving was sometimes remarkably long. The table below shows that the average time a post remains vacant is over eight months, and that times vary between one and 16 months. It should be emphasized that new jobs are filled relatively quickly.

Table 6: Recruitment statistics for fixed-term and permanent posts

Year	Job title	Date post vacated	Date recruit in post	Recruitment interval
2008	Computer Information Systems Officer	01.02.07	06.04.08	14 months
	Programme Assistant OES	30.04.04	05.08.08	16 months
	Fund Management Assistant	01.04.08	26.11.08	7 months
2009				
New post	Administrative Assistant	02.08.08	02.02.09	6 months
	Biosafety Secretary	01.03.08	18.02.09	11 months
	Programme Assistant Biosafety	27.06.07	01.03.09	9 months
	Finance Assistant	31.03.08	23.03.09	12 months
New post	Computer Assistant Biosafety	01.01.09	14.04.09	3 months
	ITS Secretary	29.01.08	04.05.09	16 months
	Programme Assistant SEL	01.01.09	01.06.09	6 months
	Finance Assistant	30.06.09	30.07.09	1 month
	Administrative Assistant	2.10.09	01.11.09	1 month
	Programme Officer OMG	02.11.08	Vacant	-
New post	Programme Assistant SEL	27.05.09	In progress	-
Total and average	14 posts			8.5 months

69. SCBD agreed with our recommendation to continue to devote effort to reducing vacant posts, and to work with the UNEP to improve recruitment times.

8. Hand-carried cash

70. One of the SCBD's tasks is to organize meetings and working parties bringing together scientific experts from across the world, in order to implement the COP's recommendations. In practice, this means organizing travel for and paying the travel expenses (as the *DSA - Daily Special Allowance*) of delegates attending from each country. The travel contract agreed in July 2007 was worth \$1.3 million in 2008. The Daily Special Allowances (DSAs) paid in 2008 for 20 meetings outside Montreal accounted for more than \$2 million (\$2,019,002), largely for delegate expenses. By 6 October 2009, 18 meetings had already taken place, costing \$675,696.

71. We identified four ways in which travel expenses (DSAs) were paid in 2008 and 2009.

- Transfer via the offices of the United Nations Development Programme (UNDP)

72. When there is a UNDP office (seven instances in 2008), particularly in Africa and South America, funds are transferred from the UNON to the office concerned. The UNON's Director of Administrative Services uses fax or email to authorize the transfer from the UNEP to the UNDP office. The UNDP representative then issues the SCBD officer dispatched to the site with the cash required for payment. Participants prove their presence at meetings by signing the attendance sheets, and can then claim their travel expenses in cash on presenting their passports. It should be noted that some UNDP offices request additional funds for a private security company to ensure the cash travels safely from the bank to the place of the meeting.

- Transfer via another United Nations body

73. There were six instances in 2008 when a UNO body other than the UNDP was used to transfer funds. They were the United Nations Framework Convention on Climate Change (UNFCCC) in Berlin and Bonn, the United Nations Environment Programme - World Conservation Monitoring Centre (UNEP - WCMC) in London, the Food and Agriculture Organization of the United Nations (FAO) in Rome, and the United Nations Office at Geneva (UNOG). In these cases, either the procedure was the same as described above, with the funds transfer from the UNON to another UNO agency, or, occasionally, the SCBD used arrangements already in place. For instance, banks provided the logistics for the COP 9 meeting in Bonn in Germany and the two meetings in Rome (SBSTTA 13 and the second assembly on protected areas), so that the SCBD officer handled no cash, and the transport risks were reduced. Deutsche Bank set up a counter at the meeting site and paid travel expenses after validation by the SCBD representative. In this instance, since the amounts involved amounted to \$1,015 million, an SCBD finance officer went to Bonn to supervise the operation. Deutsche Bank invoiced 3,200 euros (or almost \$4,500) for its services.

- Transfer after agreement via a body outside the United Nations

74. On two occasions in 2009, the SCBD transferred funds to a public body outside the United Nations that was a partner in organizing a conference. As an example, the Secretariat of the Pacific Regional Environment Programme (SPREP), which has its headquarters at Apia (Samoa), signed a Memorandum of Understanding with the SCBD to organize the operation. The workshop at Apia in the Samoan Islands took place between 3 and 5 November 2008 on the theme of local tourism in the islands. The Memorandum was signed by the SCBD's Executive Secretary and the SPREP's Director on 7 October 2008. It set out the terms and conditions for a bank transfer of \$64,478 from the SCBD to the SPREP, to cover the cost of plane tickets and travel expenses for between 14 and 19 participants. The Memorandum in fact contracted out the entire organization of the working party. After the meeting, \$10,046 remained unspent, largely because some delegates had not attended. The SPREP subsequently repaid this amount (10,946 Canadian dollars) to the SCBD in July 2009. This procedure was used only once in 2008 (with the SPREP) and once in 2009 (with National Parks Singapore).

- Transporting cash from Montreal (hand-carried cash)

75. When meetings are organized in places where none of these three solutions is possible, an SCBD officer, sometimes from finance but more often someone working in the area involved in the meeting, is given before his or her departure the required sum in cash to pay the travel expenses on site. Financial Services must arrange in advance to withdraw the necessary amount over the counter at the SCBD's bank in Montreal. Signing authority to the account has been delegated to only four people, and the bank receipt is kept with the bank slips. The cash is then handed over to the SCBD officer who becomes responsible for it. In the SCBD's accounts, the amount is credited to a cash account (credit cash 1100) and debited to a debtor account (debit account receivable 1300) called the RCNL (Receivable Notification Letter). This account records the name of the responsible officer to whom the advance is given. In 2008, cash was transported three times: \$4,159 for a meeting in Salinas, Ecuador, \$20,000 for a meeting in Singapore and \$26,808 for a workshop in Libreville, Gabon. When the amounts involved exceed \$10,000, the Canadian Customs require a Cash Declaration. In 2009, this procedure was used six times.

76. Our review highlighted the following points:

- Money handed over as cash is tracked meticulously. Article 104.10 c) of the United Nations Financial Regulations provides that "*a payee's written receipt shall be obtained for all disbursements*". Each delegate that receives cash for travel expenses signs a certificate that is kept with the invoice documentation.
- Where cash is carried from Montreal, there is both a physical risk for the person who carries the money, and a financial risk for the organization as the money could be lost or stolen. To date, the SCBD had not reported any instances of mugging or misappropriation.

- The SCBD officer responsible for distributing the cash on site is held to be personally responsible if money is lost or stolen, both when it is carried in cash and when it is sent to the UNDP by bank transfer. The officer's personal responsibility is also evoked in the UNON's bank-transfer notification which states that *"the staff member will be held responsible for the advance and will refund any unspent cash"*. This procedure, which transfers the financial responsibility for loss or theft from the UNDP and the SCBD to their officers, appears questionable.
- The formal procedure for operations where cash is distributed is defined in an interoffice Memorandum from UNON's Budget and Financial Management Service (BFMS) dated 14 July 2004 (AI/BFMS/2004/01). This Memorandum discusses the accounting aspects of distributing cash, but does not cover either the question of the split of responsibility between the SCBD and the officers that carry the money, or that of the officers' official designation.
- Under Rule 104.8 of the United Nations Financial Regulations and Rules, *"petty-cash advances may be made only by and to officials designated for this purpose by the Under-Secretary-General for Management"*. Officers must be officially designated as authorized to handle cash, if they carry cash or receive funds from the UNDP.
- The Financial Regulations and Rules of the United Nations also state in Rule 104.10 a) that *"all disbursements shall be made by cheque, by wire transfer or by electronic funds transfer, except to the extent that cash disbursements are authorized by the Under-Secretary-General for Management"*. We did not find any authorization for cash disbursements from the Under-Secretary-General for Management, or from his representative.

77. The SCBD put forward the following rationales in favour of cash payments: delegates can receive their travel expenses at the start of the meeting and do not have to pay expenses from their own pockets; the meeting sites are often remote from either a bank or a UNDP office; and it is difficult to recover an advance once it is paid into an individual's bank account. The SCBD also stressed the fact that it tries in the majority of cases to pay only 20 per cent of the DSA, since it makes the hotel bookings and pays for meals in advance. This reduces the amount of cash that must be carried or paid out.

78. SCBD agreed with our recommendation to: (a) ensure that any officers handling cash are officially designated; (b) work with the UNEP and the UNON to supplement the written procedure covering the payment of travel expenses in cash; (c) clarify how responsibilities are split between the SCBD and its officers when cash is carried; and (d) undertake efforts to minimize the use of hand-carried cash.

V. ACKNOWLEDGEMENT

79. The audit team wishes to extend its sincere appreciation to SCBD staff members, especially those in the Finance Section and the Fund Management Officer, Ide Ahmed, for their reliable and efficient assistance.

End of audit findings.