

United Nations  **Nations Unies**
INTEROFFICE MEMORANDUM MEMORANDUM INTERIEUR

INTERNAL AUDIT DIVISION I
OFFICE OF INTERNAL OVERSIGHT SERVICES

TO: Mr. Søren Jessen-Petersen
A: Special Representative of the UN Secretary-General
Head of UNMIK

DATE: 21 June 2006
REF: AUD-7-5:70 (/06)
06-00356

FROM: Dagfinn Knutsen, Acting Director
DE: Internal Audit Division 1, OIOS



SUBJECT: OIOS Audit No. AH2005/511/05: Audit of the Trust Fund to Support the United
OBJET: Nations Interim Administation in Kosovo (UNMIK)

1. I am pleased to submit herewith the final report on the above-mentioned audit, which was conducted in August 2005.
2. We are pleased to note from your responses of 19 May 2006, UNMIK has accepted most of our recommendations. Based on the responses, and in order for us to close the remaining recommendations, (i.e. 3, 4, 7, 8, 10, 11 and 12), we request that you provide us with the additional information as discussed in the text of the report and a time schedule for their implementation. Please note that OIOS will report on the progress made in implementing its recommendations, particularly those designated as critical (i.e., recommendations 1, 2 and 7) 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 request that you consult with your managers who dealt directly with the auditors and complete the attached client satisfaction survey form.
4. I take this opportunity to thank the management and staff of UNMIK for the assistance and cooperation provided to the auditors in connection with this assignment.

Copy to: Mr. Jean-Marie Guéhenno, Under-Secretary-General for Peacekeeping Operations
Mr. Philip Cooper, Acting Director, ASD/DPKO
Ms. Catherine Pollard, Director, Peacekeeping Financing Division, OPPBA
Mr. Lucien Chaker, Director of Administration, UNMIK
UN Board of Auditors
Programme Officer, OIOS

Office of Internal Oversight Services

Internal Audit Division I



Audit of the Trust Fund to Support the United Nations Interim Administration in Kosovo (UNMIK)

Audit no: AH2005/511/05

Report date: 21 June 2006

Audit Team: Feruza Khaydarova, Auditor-in-Charge
Steve Ferrell, Audit Assistant

Executive Summary

Audit of the Trust Fund to Support the UN Interim Administration in Kosovo (AH2005/511/05)

IOOS conducted an audit of the Trust Fund to Support the UN Interim Administration in Kosovo (UNMIK) in August 2005. The audit covered overall programme management aspect of the trust fund as well as the system of internal controls over financial accounting and reporting.

The Trust Fund was established on 19 July 1999, and its main objective is to restore essential services in Kosovo, such as policing, judiciary, and local government.

IOOS would like to acknowledge the UNMIK Finance Section for the system of record maintenance and filing in the Mission. However, the audit identified some deficiencies in programme management of the trust fund activities and in the system of internal controls. As a result of the audit, IOOS has issued 14 recommendations to improve the system of internal control and programme management of the trust fund, the most significant of which are:

- UNMIK should seek consultation with the Controller and Office of Legal Affairs to obtain their approval prior to entering into any contribution agreements;
- the Financial Investigation Unit (FIU) should prepare an Operational Plan as required by the Tripartite Agreement, and submit it for the approval of the Special Representative of the Secretary-General and the Deputy SRSG for Police and Justice as soon as possible;
- UNMIK should designate a focal point to prepare the financial and narrative reports for submission to European Agency for Reconstruction (EAR), which will be extracting reports from the Sun System and analysing them by type of expenditure on a monthly basis in order to adhere to the reporting format established by the contribution agreements.

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I. INTRODUCTION

1. In August 2005, OIOS conducted an audit of the trust fund to Support the United Nations Interim Administration in Kosovo (“the trust fund”). The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. This report was previously issued as a draft report on 6 October 2005 with a deadline of 31 October 2005 for receipt of comments. The trust fund was established on 28 June 1999 under United Nations financial regulations 6.6 and 6.7, in accordance with paragraph 13 of Security Council resolution 1244 (1999) dated 10 June 1999. The main purpose of the trust fund is to restore essential services in Kosovo, including but not limited to, basic civilian administrative functions, such as policing, judiciary, local government, education, health, shelter, sanitation, water, telecommunications, transportation, etc.

2. Since its establishment the trust fund has financed over 100 quick impact projects designed to restore essential services, and the operation of the Financial Investigation Unit (“FIU”) as described below. This audit focused on the contribution agreements relating to financing of the FIU operations.

3. On 23 July 2002 the former Special Representative of the Secretary-General (SRSG) in Kosovo announced the establishment of the FIU. Starting in August 2002, UNMIK put in place arrangements to establish the FIU within the UNMIK Police and Justice Pillar (Pillar 1). It became fully operational in January 2003. The FIU operated during three periods, involving different funding arrangements:

Table 1: Funding of the FIU

Period	Amount	Source
30 Oct 2002 – 25 Jul 2003	USD 307,038	UN Trust Fund
26 Jul 2003 – 29 Feb 2004	EUR 300,981	Kosovo Consolidated Budget
01 Mar 2004 – 28 Feb 2006	EUR 3,047,815	UN Trust Fund (EAR contribution)

4. On 26 February 2004, a Tripartite Agreement was signed by the United Nations Interim Administration Mission in Kosovo (UNMIK), the European Agency for Reconstruction (“the EAR”) and the Government of Italy for the Provision of Specialized Financial Investigation Services and setting out the framework for the administration of a grant from the EAR intended to fund the operations of the FIU, in particular defraying certain personnel and other costs incurred by UNMIK as well as enabling UNMIK to reimburse the Italian Government for the deployment of 10 officers from the Guardia di Finanza to the FIU. The agreement specifies the terms and conditions, the rights and responsibilities of UNMIK, the EAR and the Government of Italy as parties to the agreement on the provision of specialized financial investigation services.

5. The comments made by DM and UNMIK on the draft audit report have been included in the report as appropriate and are shown in italics.

II. AUDIT OBJECTIVES AND SCOPE

6. The overall objectives of the audit were to assess:

- i. the implementation of the trust fund's objectives;
 - ii. the Fund's compliance with relevant policy guidelines for its establishment and management;
 - iii. the adequacy of the system of internal control to ensure effective, efficient and economical use of funds and safeguarding assets; and
 - iv. the adequacy of existing policy guidelines.
7. The audit covered the allotments issued and contribution agreements to fund the FIU activities for the period from 1 March 2004 to 8 August 2005. OIOS reviewed substantive activities and the system of administrative and financial controls over the management of the trust fund, interviewed relevant staff of UNMIK and UNHQ, and conducted detail testing, on a sample of project expenditures.

III. AUDIT FINDINGS AND RECOMMENDATIONS

A. Tripartite and Contribution Agreements

8. As discussed in paragraph 4 above, the Tripartite Agreement, which serves as the framework for the contribution agreements, was signed on 26 February 2004. The first contribution agreement no. 99KOS04/03/020 was signed on 1 March 2004 without prior consultation with the Controller as required by ST/SGB/188. OIOS noted that the Controller was informed about the contribution agreement on 10 March 2004. As a result, both the Tripartite and the contribution agreements had to be amended to correct some clauses that were unacceptable to the UN and to reflect the programme support costs at a reduced rate of 5 percent, which was not initially agreed upon with the EAR.

9. However, EAR is prohibited by the European Commission Regulations from signing any provision that would have retroactive effect, as is the case here. Therefore, the amendments to the agreements would take effect only from the date of the signature. Hence, programme support cost requirement for the project had to be waived for the period from 1 March to 1 June 2004. As a result, the Organization had forgone approximately \$19,344 in programme support costs although it was providing various administrative support services for the trust fund during the above period.

Recommendation 1

IOOS recommends that UNMIK obtain the Controller's approval prior to entering into any contribution agreements (AH 2005/511/05/01).

10. *UNMIK agreed with recommendation 1 and indicated that they will seek the Controller's approval prior to entering into any agreement.* OIOS will close this recommendation in its recommendation database.

11. Table 2 below shows the summary of contribution agreements that were effective in the period covered by the audit.

Table 2: Summary of EAR contribution agreements

	99KOS04/03/020 (1)	04/KOS01/02/002 (2)
Date signed	1 March 2004	25 August 2004
Effective period	1 March – 31 August 2004	1 September – 31 August 2005
Total contribution (Euro)	€391,200	€2,000,000
Total contribution (USD *)	\$488,867	\$1,816,615
Allotments issued:		
31 Aug 04	\$386,881	-
27 Oct 04	-	\$1,816,615
17 Jan 05	\$101,985	

(*) converted at the official UN exchange rate on the date of contribution

12. Contribution agreement (1) only provided for reimbursement of salaries and mission subsistence allowances for 10 financial investigators seconded from the Italian Guardia di Finanza to the FIU. The costs of providing administrative support were borne throughout by UNMIK until the second contribution agreement with EAR became effective, where the provision for reimbursement of the support staff costs is included in the donation. Allotments issued on 27 October 2004 and 17 January 2005 from contributions received included Programme support costs of \$86,505 and \$4,856 respectively.

B. Redistribution of Investment Income

13. In accordance with ST/AI/284 and ST/SGB/188, cash which is credited to the trust fund but not immediately required for use should be invested. Investment decisions regarding the cash available in general trust fund accounts are made by the Treasury. Investments may be made for a trust fund alone, or a common trust fund investment pool may be utilized for investing the funds of a number of trust funds.

14. For those trust funds included in the investment pool, the Trust Fund Unit of the Office of Programme Planning, Budget and Accounts (OPPBA) in Headquarters computes and distributes the proportionate share of the investment income to each trust fund semi-annually, based on an average of the actual cash balances at month-end for each fund having a share in the investment pool.

15. OIOS examined the computation and recording of the distribution of investment income to the trust fund and found no discrepancies.

C. Programme Support Costs

16. In accordance with the Controller's memorandum dated 12 March 2004, the trust fund was charged for programme support cost at a reduced rate of 5 per cent for the period from 1 September 2004 to 31 December 2005.

17. As discussed in paragraph 8 above, OIOS observed that although the Tripartite Agreement, constituting the framework for all future contribution agreements, was signed on 26 February 2004; the programme support costs were charged effective 1 September 2004. This occurred because the Tripartite Agreement with EAR was signed without the Controller's approval, and programme support element was not included in the budget. Later, on 25 August 2004 the Tripartite Agreement was amended to include programme support costs, but since EAR cannot sign agreements that have a retroactive effect, the programme support costs for the six-month period from 1 March to 31 August 2004 had to be waived.

18. Total programme support costs charged under the contribution agreements (1) and (2) as of 15 August 2005, amounted to \$4,856 and \$52,507, respectively. OIOS noted that the programme support costs for the trust fund were accrued and charged consistently in accordance with UN Rules and Regulations and in conformity with ST/AI/286.

D. Operating Reserves

19. ST/SGB/188 defines a trust fund operating reserve as a sum set aside within the cash resources of the trust fund to cover any delays in payments of pledged contributions and to be used to meet the final expenditures of the trust fund activities, including liquidating liabilities. ST/AI/284/III/A/1 states that "normally, an operating cash reserve at a constant level of 15 per cent of estimated annual planned expenditures will be maintained during the implementation of the trust fund activities to cover shortfalls and will be utilized to meet the final expenditures under the trust fund, including liquidating liabilities".

20. Thus, as required by the Peacekeeping Financing Division (PFD), budget officers are to ensure that sufficient reserves (estimated at the rate of 15 per cent of allotments issued during the biennium) are available to the trust fund before issuing the allotment. For the allotments issued under the contribution agreements (1) and (2) operating reserves was neither provided for nor accrued in the financial statements. The responsible budget officer explained that, in the case of the EAR contribution agreements, it was deemed unnecessary to provide for an operating reserve since the schedule of payment of contributions already ensures that sufficient funds are reserved by the donor itself. Contributions are made in instalments of 80 per cent as pre-financing and 20 per cent as forecast final payments. Nevertheless, OIOS noted that the departure from the established procedures of maintaining an operating reserve was not documented in writing.

21. During its audit of the Pooled Trust Funds Accounting (AH/2004/511/01), OIOS agreed with the management of the Accounts Division that existing administrative instructions on general trust funds (ST/AI/284 and ST/AI/286) do not give clear guidance on accounting for and financial presentation of operating reserves. The Controller's interoffice memorandum "Implementing procedures for operating reserves established by ST/SGB/188" of 29 March 2005, also recognize that a variety of methods of calculating the operating reserves are in use. The Controller's Office informed OIOS that it is also considering, under the mandate of Action 24 of the Secretary-General's report "Strengthening the UN: an agenda for further change", reviewing and clarifying the existing policy for operating reserves. The review is expected to address both the percentage of resources to be dedicated to the operating reserve and the accounting treatment and financial presentation.

Recommendation 2

IOOS recommends that the Peacekeeping Financing Division (PFD) ensure that any departure from the established procedures for maintaining an operating reserve for UNMIK is adequately documented in the files (AH 2005/511/05/02).

22. *The Peacekeeping Financing Division agreed with recommendation 2 and indicated that they obtained from the Controller a waiver of the requirements for the establishment of the operating reserve in respect of contributions received from the EAR for the Trust Fund under the Tripartite Agreement in April 2006. The waiver was documented in the files.* IOOS will close this recommendation in its database.

E. Reporting to the Donor

23. As prescribed by the contribution agreements, the FIU, through the office of the DSRSG Pillar 1, shall submit to the EAR the following reports:

- An inception report after the first month of operation;
- Interim reports every three months of operation; and
- A final report one month after the end of the operations.

24. The first month of activities under the applicable contribution agreement was March 2004. IOOS noted that the inception report was not submitted to the EAR until 9 August 2004, as shown in Table 3. We also noted that the second and third interim reports were overdue, and that the EAR has written a letter requesting that UNMIK submit these reports as soon as possible. Based on our discussions with the trust fund programme manager, it appears that the agreement is not clear about the actual submission dates for the reports. Furthermore, from March to August 2004, the status of the Tripartite Agreement was under consideration by the Controller, and there was no reasonable assurance that the agreement would not be rescinded in case the EAR did not agree with certain conditions acceptable to the UN. Hence, no action was taken in relation to donor reporting in the above period.

Table 3: Reports to EAR

Reports to EAR	Period Covered	Due date	Date of Submission
<i>Contribution Agreement 1</i>			
Inception report	01 Mar 04 – 31 Mar 04	April 04	09 Aug 04
Interim report	01 Mar 04 – 31 Mar 04	June 04	09 Aug 04
Final report	01 Mar 04 – 31 Aug 04	Sep 04	06 Oct 04
<i>Contribution Agreement 2</i>			
Inception report	01 Sep 04 - 30 Sep 04	Oct 04	04 Nov 04
Interim report #1	01 Sep 04 - 30 Nov 04	Nov 04	12 Jan 05
Interim report #2	01 Dec 04 - 28 Feb 05	Mar 05	15 Apr 05
Interim report #3	01 Mar 05 - 31 May 05	Jun 05	28 Jun 05
Interim report #4	01 Jun 05 - 31 Aug 05	Sep 05	In preparation as

Final report	01 Sep 04 - 30 Sep 05		of 19 Aug 05 Pending
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25. OIOS noted that the EAR raised several questions regarding the financial reports submitted to them. In particular, the EAR noted that the financial reports had been drawn up in US Dollars, whereas the General Conditions of contribution agreement (1) as well as the Financial and Administrative Agreement between the European Community and the UN (article 2.3) require that the financial reporting be done in Euros. The EAR further asked why the second interim report had not been provided to them.

26. Further, all expenditures relating to the trust fund activities for MSA and salaries of support staff are currently recorded under a single object code, therefore detailed analyses by type of expenditure required for donor reporting purposes are not readily available. OIOS was informed that the reason for recording all expenditures under the same object code was that for the purposes of the trust fund the Finance Section cannot use codes other than the ones issued in the allotment by PFD.

Recommendations 3 to 6

OIOS recommends that UNMIK:

- (i) Clarify with the EAR the proper deadlines for the narrative and financial reports required under the contribution agreements and ensure that FIU submits the various reports to the EAR on a timely basis (AH 2005/511/05/03);
- (ii) Submit to the EAR financial reports in Euros as required under the Financial and Administrative Agreement, applying the UN accounting standards for rate of exchange (AH2005/511/05/04);
- (iii) Designate a focal point to prepare the financial and narrative reports for submission to EAR (AH 2005/511/05/05); and,
- (iv) Designate a person in the Finance Section to extract reports from the Sun System and, on a monthly basis, analyse them by type of expenditure in order to meet the reporting format established by the contribution agreements (AH 2005/511/05/06).

27. *UNMIK did not indicate its acceptance or rejection to recommendation 3. Instead, UNMIK indicated that meetings were held in August and September 2005 between UNMIK, the FIU and the EAR to clarify the reporting requirements as they were not stipulated in the Tripartite Agreement. As a result of the meetings, the schedule and content of reporting to EAR had been clarified.* OIOS will keep recommendation 3 open pending documentation that reports are being submitted on schedule and in accordance with agreement reached in the meetings of August and September 2005.

28. *UNMIK accepted recommendation 4 and noted that UNMIK Finance section is using the UN official exchange rate that is provided by the UN Department of Treasury. This has been communicated to EAR for clarification and information.* OIOS will keep recommendation 4 open in its database pending receipt of documentation from UNMIK showing notification to the EAR.

29. *UNMIK accepted recommendation 5 and indicated that the Senior Administrative and Liaison Officer of the Financial Investigative Unit is the focal point to coordinate the preparation of financial and narrative reports for submission to EAR through the Office of DSRSG for Pillar I.* OIOS will close recommendation 5 in its database.

30. *UNMIK accepted recommendation 6 and indicated that currently UNMIK Finance Section will continue extracting reports form the Sun System and , on a monthly basis, analyze them, outside the Sun System Application by type of expenditures in order to meet the reporting format established by the contribution agreements. The focal point identified in para. 28 will indeed continue to prepare the financial and narrative reports for submission to EAR by the Programme Management.* OIOS will close recommendation 6 in its database.

F. Programme Management and Implementation

31. The mandate of the FIU is established by Administrative Direction 2003/3 “Implementing UNMIK Regulation No. 1999/1, as amended, on the Authority of the Interim Administration in Kosovo” which was extended by Administrative Direction 2003/30. The FIU was established as “the specialised unit responsible for investigating the activities of entities funded from the Kosovo Consolidated Budget.” The mandate of the FIU is to fight financial crime and crime involving corruption in Kosovo. Furthermore, the FIU has been given the powers and the responsibilities as law enforcement authorities under the Applicable Law in Kosovo. This authorises various mechanisms for administrative searches and criminal investigations. Additionally, two financial investigators seconded by the Government of Italy serve as members of the Investigative Task Force (“ITF”) established pursuant to UNMIK Executive Decision 2003/16.

32. The Tripartite Agreement establishes the status of the financial investigators as Experts on Mission for the United Nations, assigning to them the privileges and immunities, and states that they shall comply with all laws, ordinances, rules and regulations bearing upon the performance of their obligations. Further, Articles 7.2 and 7.3 state that the Government of Italy shall ensure that the financial investigators keep information confidential and not communicate it to any person or government.

33. Regulations Governing the Status, Basic Rights and Duties of Officials other than Secretariat Officials, and Experts on Mission, Article I, require that officials and experts on mission shall make the following written declaration witnessed by the Secretary-General or an authorized representative:

“I solemnly declare and promise to exercise in all loyalty, discretion and conscience the functions entrusted to me by the United Nations, to discharge these functions and regulate my conduct with the interest of the United Nations only in view, and not to seek or accept instructions in regard to the performance of my duties from any Government or other source external to the Organization.”

34. The above written declarations were not made by the officers of the FIU. In OIOS' view, individual confidentiality notices should be signed by each financial investigator seconded by the Government of Italy.

Recommendations 7

OIOS recommends that UNMIK ensure that written declarations of loyalty as required by Regulation 1 of the Regulations Governing the Status, Basic Rights and Duties of Officials other than Secretariat Officials, and Experts on Mission be signed by each financial investigator seconded by the Government of Italy (AH 2005/511/05/07).

35. *UNMIK accepted recommendation 7 and indicated that it would be implemented in coordination with UNMIK Division of Administration.* OIOS will keep this recommendation open pending receipt of documentation from UNMIK that it has been implemented.

36. In accordance with Annex B, which forms an integral part of the Tripartite Agreement, the FIU is required to prepare an Operational Plan for its activities. This Operational Plan should be approved by the SRSG and DSRSG for Police and Justice. OIOS was informed that this plan had never been prepared by the FIU.

Recommendation 8

OIOS recommends that the FIU prepare, as soon as possible, an Operational Plan as required by the Tripartite Agreement for submission to and approval by the SRSG and DSRSG for Police and Justice (AH 2005/511/05/08).

37. *UNMIK accepted recommendation 8 and indicated that in line with the requirements of the Tripartite Agreement, and in particular outputs 2.2, 3.5 and 4.2 of Annex B, FIU has reviewed the results of Outputs 3.3 and 4.1, and will submit the draft operational plan for ongoing operations by 31 May 2006 to the EAR and all other parties for their comments. The final modified operational plan will be submitted to the SRSG by 30 June 2006.* OIOS will keep this recommendation open pending receipt of documentation from UNMIK that an operational plan has been approved by the SRSG.

G. Certified Time Off

38. The ten FIU officers seconded from the Italian Government to carry out financial investigations had the status of "Experts on Mission" while they were in the field. This designation provides certain privileges and immunities to these officers while seconded to UNMIK. As the investigators do not fall under the main UNMIK structure as "Civilian Police", they are not entitled to the normal Mission Subsistence Allowance ("MSA") paid to UNMIK Civilian Police. However, they do receive a monthly allowance of Euro 1,920 each. Payment of the monthly allowance is dependent on attendance records being prepared and submitted monthly by the FIU to the Senior Administrative and Liaison Officer for verification/certification and forwarded through the DSRSG, Pillar I, to the finance section for payment.

39. The Fax DIR/089 of 14 December 2000 to all missions from USG for Peacekeeping Operations and the UNMIK Civilian Police Guidelines dated May 2005 reflect the standard policy and guidelines on the application of annual leave and certified time off (CTO) for Civilian Police serving in UN field missions.

40. Even though the status of the investigators is not the same as that of the UNMIK Civilian Police, management decided that their entitlement to leave was to be the same as the UNMIK Civilian Police who earn 1.5 days of annual leave ("AL") for each calendar month of service and one day certified time off ("CTO") per five days worked. Officers are entitled to a maximum of 56 days CTO per year.

41. A review of the CTO and annual leave taken during the period from 1 March 2004 to 28 February 2005 showed that of the ten officers on board, seven exceeded the 56 days per year limit for the period from March 2004 to February 2005 ranging from 7 to 27 days over the 56-day limit. The Chief of the Unit delegated the task of record-keeping for attendance to one of the FIU officers and monthly attendance reports were verified by the Senior Administrative Liaison Officer.

Recommendation 9

IOOS recommends that FIU management strengthen monitoring controls over the utilisation of the entitlements to certified time off and annual leave by FIU investigators to ensure correct application of all leaves in accordance with the guidelines (AH 2005/511/05/09).

42. *UNMIK accepted recommendation 9 and indicated that the management of the FIU has already implemented additional monitoring controls. Currently, the monthly attendance of Guardia di Finanza investigators is sent to the Office of DSRSG for certification. OIOS will close recommendation 9 in its database.*

H. Other Administrative Matters

43. Under Article 4 of the Tripartite Agreement and Contribution Agreement (2), UNMIK is responsible for providing an appropriate working environment for the financial investigators including secure office accommodation, support staff, office equipment, transportation, communication etc. The mandate of the FIU includes collecting of evidence, seizing of articles found in searches, obtaining details of bank accounts and statement, etc., which requires adequate and secure facilities for the storage of case files and other evidence obtained during investigations. OIOS observed that the storage facilities were not secure and the files not properly protected. Files kept in a small room were strewn on top of cabinets, and plastic foot lockers containing case files were stacked in a way that prevented easy access to the filing cabinets. There were also unlocked metal cabinets containing sensitive files stored in a hallway in the offices of the FIU. Files of ongoing investigations were stocked alongside the desk of individual officers. There is no central location to store case files and no filing system in place, which made it difficult for the auditors to retrieve case files. The lack of a proper filing system and secure storage space can lead to the loss or misplacement of important evidence and other valuable information.

44. Further, according to Annex C – Inputs, the established number of support staff is shown to be eight. OIOS noted, however, that as of the date of the audit only 6 posts had been filled. Based on our discussions with management, FIU deemed that six support staff was sufficient to meet its current administrative day-to-day needs.

Recommendation 10 to 12

OIOS recommends that the Office of the UNMIK DSRSG Pillar 1:

- (i) ensure that the FIU is provided with adequate filing facility in order that the FIU maintains a secure filing system for evidence and information collected (AH 2005/511/05/10),
- (ii) clearly communicate to the donor that the current workload of the FIU does not require the budgeted eight posts (AH 2005/511/05/11); and
- (iii) ensure that a new contribution agreement entered into provides for the appropriate number of support staff (AH 2005/511/05/12).

45. *UNMIK accepted recommendation 10 and indicated that the FIU would request the Division of Administration to provide additional office space to accommodate an adequate filing system. The FIU has in place a filing system for operational hard copy files and other evidence, however, the information on the case filed will be systematized in one database in the near future. Also, several databases were compiled on a centralized basis, with one investigator in charge of maintaining and updating databases. OIOS will keep recommendation 10 open in its database pending receipt of documentation that recommendation 10 has been implemented.*

46. *UNMIK accepted recommendations 11 and indicated that the Guardia di Finanza team maintains that there is a requirement for additional support staff. Pillar I believes that an assessment should be carried out on the basis of the experience under the initial grant agreement of the level of support staffing compared to the workload experienced. OIOS will keep recommendation 11 open pending receipt of documentation from UNMIK that it has been implemented.*

47. *UNMIK accepted recommendations 12 and indicated that any future contribution agreement beyond February 2006 should take account of the results of the assessment. OIOS will keep recommendation 12 open pending receipt of documentation from UNMIK that it has been implemented.*

48. As part of the Tripartite agreement, payments from the trust fund to the Government for the services provided by the investigators will be made against an invoice presented by the Government monthly in arrears, detailing the number of man-days claimed and the appropriate daily rate. The cost of initial travel and repatriation of the team to and from the Mission are invoiced separately. These invoices are forwarded by the Government to the DSRSG Pillar I for certification and submission to the trust fund for payment.

49. OIOS reviewed all invoices paid by UNMIK through 31 July 2005 to determine that man-day rate calculations were accurate. OIOS noted that all payments made to the Italian Government were correctly calculated based on the number of days each investigator was on board, and the respective daily rate of Euro 153.45 or Euro 125.02 depending on the rank of the officer. The UNMIK finance section reimbursed 80 per cent of the amount billed by the Government in accordance with the percentage of contribution deposited by the donor. The total billed by the Government for the period 1 March 2004 to 31 May 2005, amounted to Euro 653,679 of which 80 per cent, or Euro 522,943, had been paid to date leaving a balance of Euro 130,753 pending payment.

50. OIOS also reviewed the time taken to settle invoices submitted by the Government. Invoices presented by the Government for the months of March to August 2004 took an average of 79 days ranging from 13 to 141 days from receipt of the invoice to the date presented to the Director of Administration requesting payment. The Finance Section took an additional 19 days for to make payment in these cases. During the following 9 months (September 2004 to May 2005) it took an average of 22 days (ranging from 2 to 89 days) for invoices to be sent to the DOA requesting payment. An additional 17 days on average were needed for the Finance Section to process the payment.

Recommendation 13

OIOS recommends that the UNMIK FIU take necessary measures to ensure that invoices presented by the Government of Italy are sent for settlement in a timely manner (AH 2005/511/05/13).

51. *UNMIK accepted recommendation 13 and indicated that the recommendation will be communicated to the Guardia di Finanza HQ in Rome (Italy) by the FIU, since invoices are sent by the FIU to the Italian Government.* OIOS will close recommendation 13 in its database.

IV. ACKNOWLEDGMENT

52. We wish to express our appreciation for the assistance and cooperation extended to the auditors by staff of the Financial Investigations Unit and the UNMIK Finance Section.



Dagfinn Knutsen, Acting Director
Internal Audit Division 1, OIOS

UNITED NATIONS**OIOS Client Satisfaction Survey**

Audit of: The Trust Fund to Support the United Nations Interim Administration in Kosovo (UNMIK) (AH 2005/511/05

	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.	<input type="checkbox"/>				
2. The audit staff's understanding of your operations and objectives.	<input type="checkbox"/>				
3. Professionalism of the audit staff (demeanour, communication and responsiveness).	<input type="checkbox"/>				
4. The quality of the Audit Report in terms of:					
• Accuracy and validity of findings and conclusions;	<input type="checkbox"/>				
• Clarity and conciseness;	<input type="checkbox"/>				
• Balance and objectivity;	<input type="checkbox"/>				
• Timeliness.	<input type="checkbox"/>				
5. The extent to which the audit recommendations were appropriate and helpful.	<input type="checkbox"/>				
6. The extent to which the auditors considered your comments.	<input type="checkbox"/>				
Your overall satisfaction with the conduct of the audit and its results.	<input type="checkbox"/>				

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.

Name: _____ Title: _____ Date: _____

Thank you for taking the time to fill out this survey. Please send the completed survey as soon as possible to: Mr. Dagfinn Knutsen, Acting Director, Internal Audit Division-I, OIOS

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