



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

Distr.: General
26 November 2009

Original: English



**Rotterdam Convention on the Prior
Informed Consent Procedure for
Certain Hazardous Chemicals and
Pesticides in International Trade**



**Stockholm Convention on
Persistent Organic Pollutants**

**Conferences of the Parties to
the Basel, Rotterdam and Stockholm conventions
Simultaneous extraordinary meetings
Bali, 22–24 February 2010
Item 4 (e) of the provisional agenda*
Matters for consideration or action by the
conferences of the Parties: decisions on joint audits of
the accounts of the secretariats of the three conventions**

**Joint audits of the accounts of the secretariats of the Basel,
Rotterdam and Stockholm conventions**

Note by the secretariats

Introduction

1. The conferences of the Parties to the Basel, Rotterdam and Stockholm conventions in paragraph 8 of section IV of their respective decisions on enhancing cooperation and coordination (known as the “synergies decisions”) requested “the Executive Director of the United Nations Environment Programme, in consultation with the Director-General of the Food and Agriculture Organization, in providing the secretariat functions of the Basel, Rotterdam and Stockholm conventions, to prepare a proposal for joint audits of the accounts of the secretariats of the three conventions”.¹

* UNEP/FAO/CHW/RC/POPS/EXCOPS.1/1.

¹ Decision IX/10 of the Conference of the Parties to the Basel Convention; decision RC-4/11 of the Conference of the Parties to the Rotterdam Convention; decision SC-4/34 of the Conference of the Parties of the Stockholm Convention.

2. Furthermore, in reference to the programme of work and budget, the conferences of the Parties requested the executive secretaries of each convention to arrange for the conduct on a regular basis of audits by the United Nations Office of Internal Oversight Services, to request, when appropriate, reports from the United Nations Board of Auditors, and to submit any such reports to the Conference of the Parties, together with the Secretariat's responses.²

3. In response to the above requests, the Executive Director of the United Nations Environment Programme (UNEP), in consultation with the Director-General of the Food and Agriculture Organization of the United Nations (FAO), has provided the information contained in the present note through the executive secretaries of the Basel, Rotterdam and Stockholm conventions.

I. Current arrangements

4. All UNEP trust funds, including those pertaining to multilateral environmental agreements, have been established in accordance with article V of the general procedures governing the operations of the Fund of UNEP and as such are governed by the financial rules of the Fund of UNEP. Financial rule 214.1 states that the accounts showing the status of the Fund account, with audit opinion and report from the United Nations Board of Auditors, shall be transmitted by the Executive Director to the Advisory Committee on Administrative and Budgetary Questions, the Governing Council of UNEP and the General Assembly. In compliance with these rules, the financial statements of multilateral environmental agreements are included as an integral part of the certified accounts of UNEP and as such are subject to audit, as part of the overall UNEP audit, by the Panel of External Auditors of the United Nations, specialized agencies and the International Atomic Energy Agency.

5. That Panel, while mainly undertaking audit work at UNEP headquarters in Nairobi, visits outposted offices as and when required. For example, it decided as part of its audit for the biennium 2008–2009 to look in particular at the relationship between UNEP and the multilateral environmental agreements and, for this purpose, visited in November 2009 the secretariats of the conventions located in Geneva, including those of the Basel, Rotterdam and Stockholm conventions.

6. It should be noted that the establishment of specific audit arrangements for the multilateral environmental agreements will require the withdrawal of the associated trust funds from the accounts and financial statements of UNEP and corresponding revisions to the general procedures governing the operations of the Fund of UNEP (as amended by Governing Council decision 19/25 of 7 February 1997) and the financial rules of the Fund of UNEP, as they apply to the Environment Fund and associated trust funds, as promulgated by the Secretary-General on 8 October 1998. It must be also noted that such arrangements would have implications for future compliance with international public sector accounting standards and could actually result in a less efficient and effective use of resources. Currently, UNEP, in financing the cost of the maintenance of the accounts, the preparation of financial statements and the audits of the Environment Fund and its associated trust funds, achieves economies and efficiencies associated with the coordination and consolidation of these essential processes.

7. In a letter dated 18 January 1993 to the then Secretary-General in his capacity as Chairman of the Administrative Committee on Coordination, the Chairman of the Panel of External Auditors of the United Nations, specialized agencies and the International Atomic Energy Agency reiterated the Panel's opinion that "member States should be prepared to rely on the competence of the Organization and the normal internal and external audit arrangements". This opinion was based on the following arguments:

(a) An auditor's examination of individual extrabudgetary funds cannot normally be separated from the audit of an Organization's accounts and control systems as a whole;

(b) The results of any special audits carried out may convey a misleading picture of an Organization's accounting competence, where the special auditor has reached an adverse opinion on the discrete area he is examining, but at the same time the appointed External Auditor may have found the accounting system for the Organization as a whole to be satisfactory, and sufficient to support the financial statements;

(c) Special audits generally represent an inefficient use of resources and are time-consuming for both the Organization and the appointed External Auditor.

² Decision IX/31 of the Conference of the Parties to the Basel Convention, decision RC-4/12 of the Conference of the Parties to the Rotterdam Convention and decision SC-4/1 of the Conference of the Parties to the Stockholm Convention.

8. It might be similarly difficult for the United Nations Offices of Internal Oversight Services (OIOS) to audit the multilateral environmental agreements “on a regular basis” as requested by the conferences of the Parties, given the Office’s mandate and limited financial resources. In accordance with the Office’s audit guidelines the following criteria are applied to offices subject to audit by it:

(a) OIOS has the authority to initiate, carry out and report on any action which it considers necessary to fulfill its responsibilities in regard to the audit function and shall conduct ad hoc audits of programmes and organizational units whenever there are reasons to believe that programme oversight is not sufficiently effective and that there is potential for the non-attainment of objectives and waste of resources;

(b) OIOS prepares annual audit workplans based on the results of risk assessments and requests or concerns expressed by the Organization’s senior management, while taking into consideration requests from the General Assembly and other relevant factors. Risk assessment involves identifying potential events or actions which may adversely affect the Organization’s ability to achieve its organizational objectives or execute its strategies successfully. It includes assessing the likelihood of such events or actions occurring and the impact that they would have if they occur. OIOS adopts this approach when developing its annual work plan as it enables the Division to direct audit resources at areas that pose the greatest risk to the achievement of the Organization’s objectives.³

9. The part of the trust fund for the Rotterdam Convention managed by FAO has been established in accordance with financial rule 6.7, as set out in the FAO Basic Texts. The rules and regulations of FAO provide for audit by the External Auditor, selected by the Governing Bodies, on a biennial basis. They do not allow audits by any other external party, and project-specific audits by the FAO External Auditor can be undertaken only under exceptional circumstances, upon request from the FAO Finance Committee and with the full cost of the audit charged to the project. It should be noted, however, that all FAO-managed projects are part of the scope of the external auditor’s workplan. This single audit principle, applied consistently in the United Nations system, is motivated as noted in paragraph 7, above. Internal audits of FAO-managed activities are carried out in accordance with the workplan of the FAO Inspector General.

10. In 2009, OIOS audited the Mediterranean Action Plan. For 2010, the Office has been requested by the Executive Director of UNEP to audit the strategic management of the UNEP multilateral environmental agreements, including their administrative arrangements, governance, accountability and oversight.

II. Possible action

11. The conferences of the Parties may wish to take note of the current arrangements, which ensure that the multilateral environmental agreement trust funds are being efficiently and effectively managed in accordance with the Financial Regulations and Rules of the United Nations and the Financial Regulations of FAO, in addition to being monitored, evaluated, audited, inspected and investigated by the United Nations Board of Auditors, OIOS and the FAO External Auditor and Inspector General, respectively. They may also wish to take note that UNEP undertakes to provide a copy of its most recent audit covering the multilateral environmental agreement trust funds to each Conference of the Parties to the three conventions to be included in the documentation received by Parties.

³ Office of Internal Oversight Services audit manual, chapter A, mandate, chapter B.5.1, planning, and chapter B.6, risk assessment.