



United Nations
Educational, Scientific and
Cultural Organization

Organisation
des Nations Unies
pour l'éducation,
la science et la culture

Organización
de las Naciones Unidas
para la Educación,
la Ciencia y la Cultura

Организация
Объединенных Наций по
вопросам образования,
науки и культуры

منظمة الأمم المتحدة
للتربية والعلم والثقافة

联合国教育、
科学及文化组织

Internal Oversight Service

Audit Section

IOS/AUD/2011/01

Original: English

Audit of UNESCO Treasury Operations

January 2011

EXECUTIVE SUMMARY

Key Results of the Audit

The audit concluded that the BFM Treasury Section was effective in managing outgoing payments and incoming receipts, ensuring compliance with investment policy and selecting banking partners.

However, major weaknesses exist in the IT environment which could adversely affect treasury operations. Action is needed, for example, to limit access to critical authorizations in FABS and to better secure payment instructions to banks. Further, a recovery plan for treasury operations should be established in case of a major IT breakdown.

Background, Scope and Objective

1. UNESCO Treasury operations are managed by the Bureau of Financial Management (BFM). The operations include cash position follow-up, investment decisions in accordance with UNESCO's investment policy, borrowing decisions and foreign currency transactions. All outgoing payments at Headquarters are processed by the Treasury at UNESCO, which is also responsible for monitoring accounts receivable and performing out bank reconciliations. Field Offices, Institutes and UNESCO Staff Loans and Savings Service (USLS) process their own payments. UNESCO Brasilia maintains a separate treasury invested in local treasury bills.

2. The total outstanding investment (as at June 30, 2010) of Headquarters treasury was US\$703 million. During the first eight months of 2010, BFM Treasury processed 33,100 transactions totalling US\$380 million. In addition, during the same period, Treasury processed 2,290 incoming payments totalling US\$434 million. These transactions are carried out through 28 bank accounts maintained by Headquarters. Worldwide, UNESCO maintains 197 bank accounts approved by Treasury.

3. The Internal Oversight Service (IOS) engaged specialized services of KPMG to audit the treasury operations. The audit objective was to determine whether: (i) investments are made in accordance with the investment policy and that adequate controls exist in the investment decision and execution process, (ii) adequate controls exist in the processing of the Organization's outgoing payments and of incoming receipts, and (iii) the selection of bank partners is objective and the bank partners offer the most beneficial terms to the Organization.

4. The scope of the audit included transactions undertaken from January through November 2010.

5. The audit was performed in accordance with the *International Standards for the Professional Practice of Internal Auditing*. Methodology included testing a sample of 40 investments, 25 foreign exchange transactions, 59 electronic payments and 40 cheque payments, in addition to control review of individual workflows for each treasury process and related IT processes.

6. The draft report was presented to BFM and DIT/MIS in an exit meeting held on 20 December 2010. BFM and DIT have prepared action plans to implement the recommendations contained in the report. IOS will follow up on these recommendations to ensure appropriate and timely implementation.

7. The key achievements are:

- Investment decisions comply with policy and are subject to appropriate control.
- Foreign exchange transactions are well controlled.
- Outgoing payments are effectively controlled but the process needs to be better documented.
- Opening and closing of bank accounts are appropriately controlled.

8. The key challenges and opportunities are:

- In absence of an automatic interface between SAP and bank payment applications (SBE or CPS), all employees who have access to the SAP server (folder SAP export) can modify data on the payment files before uploading. This presents risks of unauthorized payments.
- There is no regular reconciliation between the UNESCO's deposit position and the bank's position.
- There are nine user accounts with SAP_ALL profile. These individuals can perform all tasks in SAP system and erase security audit logs, thereby increasing risk of fraud and loss of data integrity.
- Several users have been assigned incompatible FABS authorizations in the treasury process which weakens the segregation of duties (SOD) control.
- Access to sensitive FABS authorizations is not adequately restricted which increases risks of by-passing normal controls.
- There is no Disaster Recovery Plan to ensure the continuity of treasury operations in case of a major IT breakdown.

9. Table of recommendations

Key recommendations

Recommendation 1: We recommend that BFM, in collaboration with DIT/MIS, develop a batch to automatically upload the payment files from SAP to bank payment applications (SBE or CPS).

Recommendation 2: We recommend that BFM formalize all controls pertaining to outgoing payment process.

Recommendation 3: We recommend that BFM Treasury Middle Office reconcile the Deposits Depobase portfolio to bank positions obtained from each bank back office, on a monthly basis.

Recommendation 4: We recommend that DIT/MIS restrict SAP_ALL access rights to an emergency user only. This emergency user should be unlocked only for emergency situations and for a limited time period. Actions performed by such user should be reviewed.

Recommendation 5: We recommend that CIO perform a global review of SAP roles with regard to: (i) access rights to ensure consistency between users' roles and profiles and jobs positions, (ii) access to sensitive transaction, and (iii) segregation of duties.

Recommendation 6: We recommend that the CIO, in consultation with BFM, formalize a Disaster Recovery Plan for treasury operations.