

TO: Mr. Gurpur Kumar
A: Deputy Director
Internal Audit Division
Office of Internal Oversight Services

DATE 26 May 2011

THROUGH: Neeta Tolani
S/C DE: Director *NTolani*
Office of the Under-Secretary-General for Management
FROM: *Mario Baez*
DE: Chief, Policy and Oversight Coordination Service
Department of Management

SUBJECT: **Assignment no. AP2010/636/11-Audit of the Trust Fund for the Support of the activities of MINURCAT**
OBJET: **activities of MINURCAT**

1. We are pleased to provide the comments below on the above-referenced audit report.

General Comments

2. With respect to the overall audit findings, we note that the recommendations contained in paragraphs 41 to 44 are addressed to either, the Department of Field Support (DFS) or the Office of Programme Planning, Budget and Accounts (OPPBA). The Terms of Reference of the trust fund for the support of the activities of MINURCAT clearly state that the Programme Manager (Special Representative of the Secretary-General for MINURCAT) shall be responsible for ensuring that the Trust Fund is utilized for the purpose described and for the execution of the projects / programmes carried out under the Fund consistent with that purpose; and the Certifying Officer shall ensure that expenditures are incurred in accordance with the existing financial and staff regulations, rules and procedures, for the purpose intended and within the limits allotted, and to draw to the attention of the Controller any proposed commitment or expenditure which, in his or her view, is inconsistent therewith.

2. It is our opinion that the first level of internal control over management of Trust Fund rests with the implementing office, and the second internal control rests with DFS, whose functions are to ensure consistency in the application of support-related policies and practices in field operations, and administers and monitors field operations in the area of finance, among others. The third level of internal control is provided by OPPBA/DM by administering and ensuring compliance with the financial regulations and rules, and relevant legislative mandates, establishing and applying budgetary and

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accounting policies and procedures, and ensuring sound management of all resources made available to the Organization and ensuring their effective and efficient use, directly or through delegation of authority.

Paragraphs 13 and 14

3. We would like to clarify that all allotment requests from peacekeeping missions are reviewed. During review of the initial allotment request and the cost plan from MINURCAT, it was not self-evident that the cost plan was not in accordance with the donor agreement. It noted that the rental and maintenance of premises and the purchase of equipment, for example, could be for the provision of training to the Détachement Intégré de Sécurité (DIS) if they were used during the training. It is requested that the last sentence of paragraph 13 be withdrawn, and the last sentence of paragraph 14 be reformulated as follows: “...PFD approved the allotment request as it was not apparent that the donor agreement and cost plan were inconsistent.”

Paragraph 17

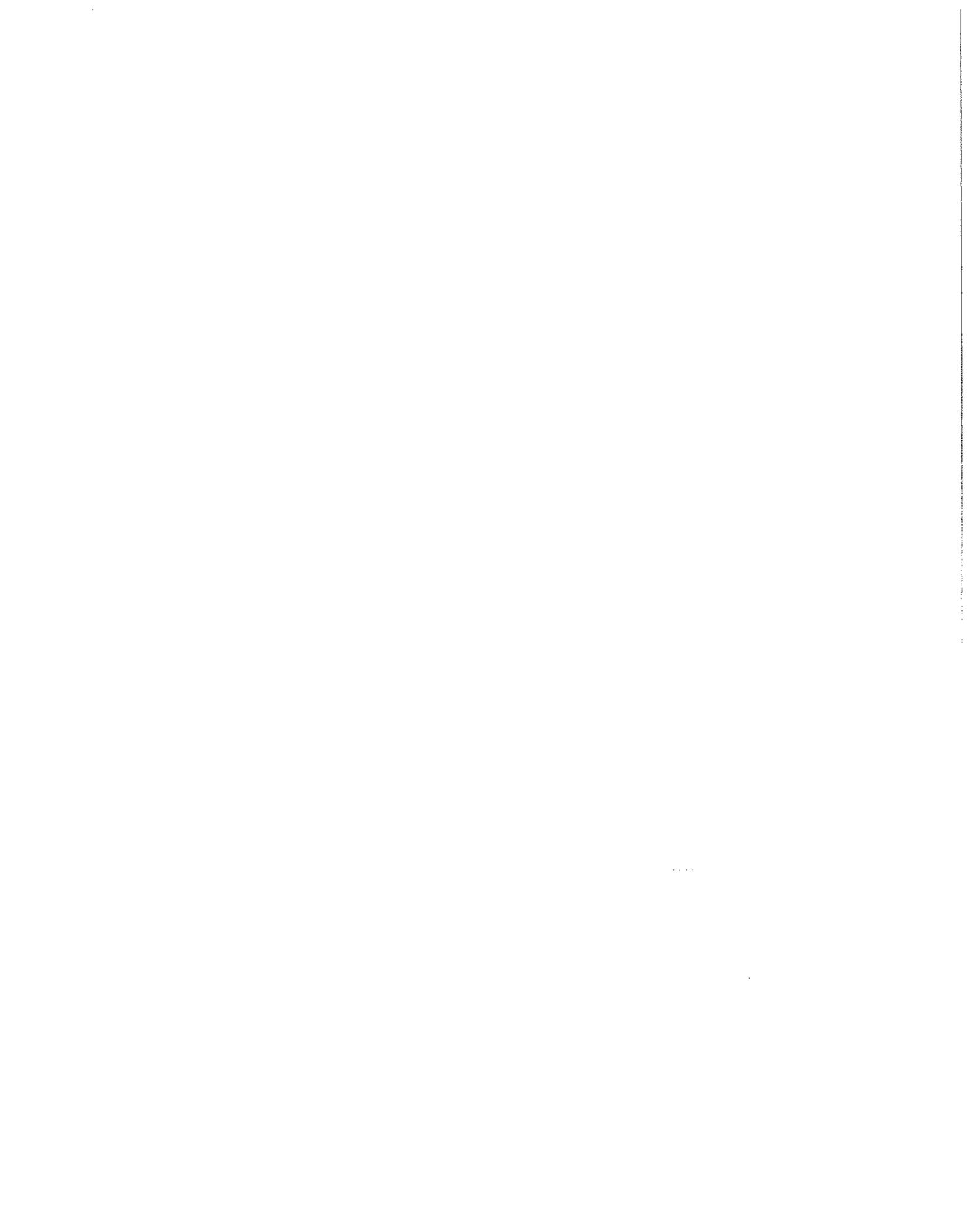
4. As stated in paragraph 24 of the terms of reference for the Trust Fund, the Programme Manager is requested to provide the Controller (a) periodic progress and final reports on the implementation of programmes/projects financed from the Trust Fund; (b) a monthly Status of Allotment report showing income, expenditure, pre-encumbrances and the unencumbered balances; and (c) an annual financial report showing income and expenditures as of 31 December each year with respect to funds contributed. The implementing office should not submit any financial reporting to donors without consultation and certification by OPPBA. Therefore, it is our view that MINURCAT was not in compliance with this procedure; and requests that this paragraph be reformulated accordingly.

Paragraph 21

5. We would like to clarify that when PFD asked DFS and MINURCAT to prorate the remaining fund balances to each donor based on their initial contributions on 11 August 2010, PFD did not have all donor agreements and supporting documents. Upon receipt of the agreement and documents, PFD thoroughly reviewed them and advised DFS and MINURCAT to match actual expenditure against the respective contributions on 22 September 2010. While acknowledging that the guidance provided by PFD changed, it was a necessary action to ensure that recording of expenditure was in accordance with the donor agreements.

Paragraph 22

6. We would like to inform OIOS that paragraph 07.04.1.5 of the draft finance and budget manual that was circulated for comments in March 2011 stipulates the procedure to account for trust fund involving multiple donors and earmarks. The Manual will be finalized based on comments collected from field missions as well as Headquarters.



Paragraph 28

7. While the audit report states that “FBFD and PFD have not yet determined how the \$2.17 million will be funded,” it is our view that the funding source of the \$2.17 million cannot be discussed without (i) completion of verification of all transactions totalling \$2.17 million; and (ii) determination of the overall unspent balance of the Trust Fund by DFS. As soon as the two actions are completed, we stand ready to provide any assistance that may be required by DFS.

Paragraph 29

8. With regard to an additional \$1.45 million that was disbursed from the MINURCAT peacekeeping budget to pay for activities related to the Trust Fund, necessary action will be taken after DFS completes verification of all transactions totalling \$1.45 million and determination of the total amount that need to be charged to the Trust Fund.

Paragraph 33

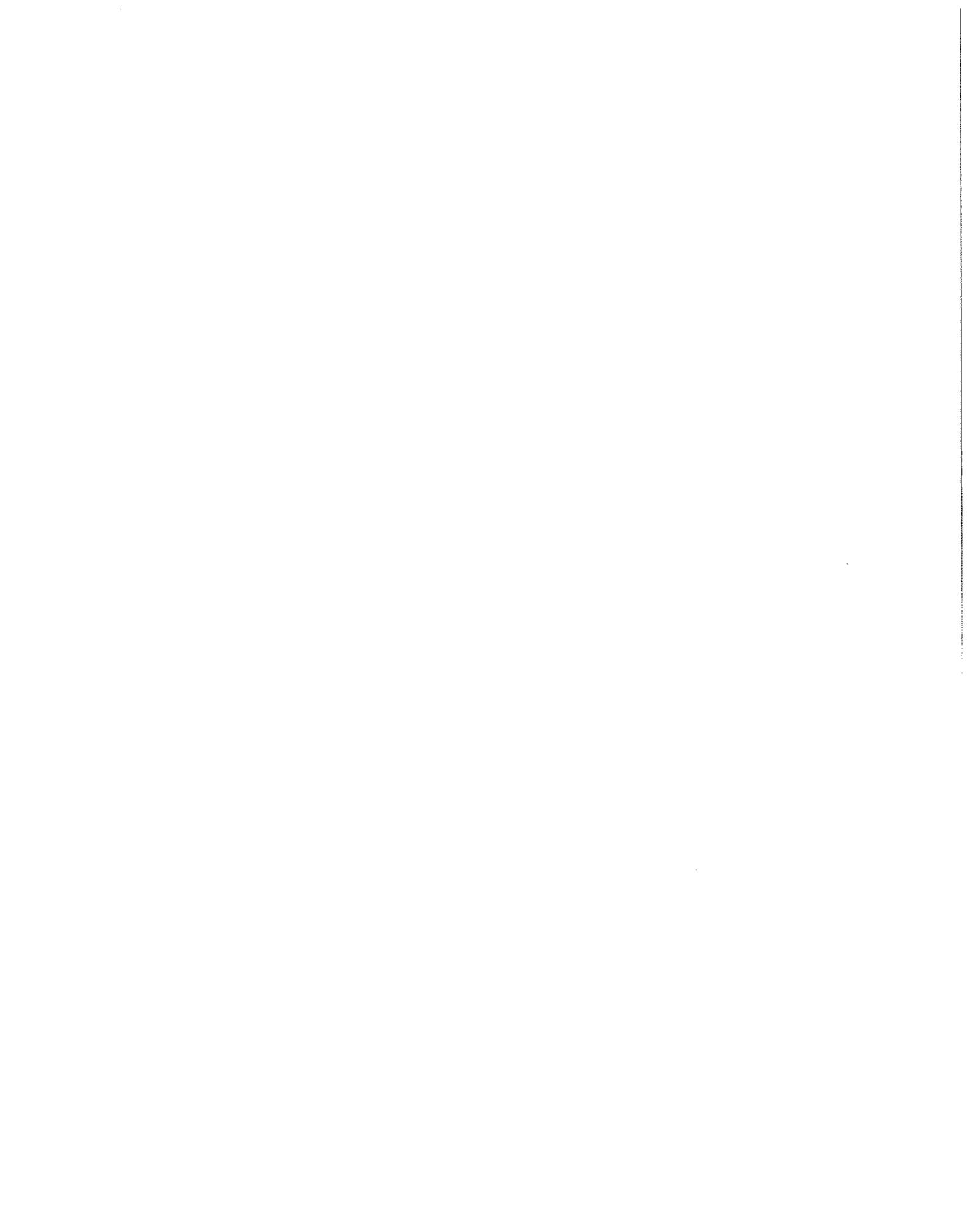
9. While it is agreed that “the process of requesting and approving the roll-over was too long,” PFD did provide necessary support and guidance by requesting for the formal agreements with donors, appropriate cost plans and clarifying the implementation period of each project. Therefore it is requested that the first sentence of this paragraph reformulated.

Paragraph 39

10. We would like to clarify that within OPPBA, PFD has the primary responsibility to review requests to revise allotments for peacekeeping-related trust funds, if a request is submitted by the implementing office. In the case of MINURCAT, the Mission redeployed funds without informing PFD. Furthermore, PFD does not have any record of receiving a report on the status of allotments as at 31 October 2010 from the Mission, and therefore, requests that paragraph 39 be reformulated.

11. It is our view that there were three issues with the unauthorized redeployment of funds by the Mission. First, as indicated in paragraph 38 of the report, the Mission had the delegated authority to redeploy funds between budget classes for the Mission’s peacekeeping budget, but not for the Trust Fund. This was clearly indicated in the delegation of authority to the then-Chief of Mission Support, which was signed by him on 11 March 2009. The responsibility to abide by the terms and conditions of the delegation of authority rests with the individual who was given the delegated authority.

12. Second, when a revised allotment is approved in IMIS by PFD, it is transmitted to the implementing office, which in turn enters the information on the revised allotment into the Sun system maintained by DFS. Allotment data in IMIS and the Sun system should always be the same. However, as field missions can manually enter



allotment data into the Sun system, there is a risk that funds are redeployed by a field mission without knowledge of Headquarters (OPPBA, DFS). As IMIS continues to show the correct allotment level, unauthorized redeployments by a field mission are not apparent.

13. Third, to address the risk as described above, it is agreed that there is a need to strengthen the monitoring role of OPPBA to detect such unauthorized redeployments at an early stage and requests corrective actions by field missions. Certifying Officers will be requested to ensure that signed status of allotment reports generated from the Sun system are provided to PFD for each trust fund on a monthly basis. PFD will review monthly status of allotment reports and alert field missions when any unauthorized redeployments are detected.

Paragraph 40, first bullet point

14. The instructions for closure of the biennium 2008-2009 ending 31 December 2009 were addressed to special political missions, not to peacekeeping missions. Therefore, we wish to clarify that the Accounts Division did not request MINURCAT for such an inventory report as of 31 December 2009, and so the question of follow-up does not arise. Based on the above, it is requested that the first bullet point of paragraph 40 be withdrawn.

B. Recommendations

Paragraph 41

15. To date, the final expenditures that should be associated with the contribution received from the Government of the Netherlands and the European Union (EU) have not been determined by DFS and MINURCAT. When such determinations have been made, following established procedures, draft financial statements shall be submitted for certification to the Accounts Division. The Accounts Division will then review the draft statement for consistency with the Organization's books of record maintained in IMIS, and after confirmation of the reasonableness of expenditures allocated to the donor, certify the statements and coordinate for the refund of unspent balances, if any, to the respective donors.

Paragraph 42

16. We agree with the recommendation but wish to inform OIOS that, as stated in paragraph 6 above, guidance to implementing offices on recording of expenditures against the respective donors' contributions for trust funds involving multiple donors and earmarks is included in the draft finance and budget manual that was circulated for comments in March 2011. However, taking into account the circumstances that led to control failures in implementing, monitoring and reporting on the Trust Fund for MINURCAT, guidance in the finance and budget manual will be improved further, including clarification of roles and responsibilities between DFS and missions for trust funds pertaining to field missions, as requested in paragraph 44 of the audit report.

Paragraph 43

17. As stated in paragraph 28 of the audit report, verification of \$2.17 million to be recorded as expenditure of the Trust Fund is currently underway by DFS and MINURCAT. When the verification is completed, appropriate prior period adjustments will be made.

Paragraph 44

18. It is our view that a policy clarifying roles and responsibilities between OPPBA and the implementing office (in this case, field missions) is already available in the administrative instruction on General Trust Funds (ST/AI/284) as well as in the terms of reference for the Trust Fund. As indicated in paragraphs 35 and 36 of the audit report, the roles and responsibilities of FBFD/DFS for management of trust funds need to be clarified.

19. With regard to the recommendation (a) of this paragraph, it should be clarified that it is the responsibility of OPPBA to “establish and apply the budgetary and accounting policies and procedures of the United Nations” (ST/SGB/2003/16) and of DFS to “... contribute to the development of organizational policies and procedures to meet the requirements of field operations, ensures consistency in the application of support-related policies and practices in field operations, and delegates to field missions and administers and monitors field operations in the area of human resources, finance” (ST/SGB/2010/2).

20. Based on the aforementioned, it is requested that paragraph 44 reformulated as follows:

“The Department of Field Support, in consultation with the Office of Programme Planning, Budget and Accounts, taking into account the circumstances that led to control failures in implementing, monitoring and reporting on the Trust Fund for MINURCAT, should (a) clarify roles and responsibilities between DFS and missions for trust funds pertaining to field missions; (b) ensure that the clarification as requested in (a) is fully reflected in the terms of reference for trust funds; and (c) implement adequate monitoring for compliances with the policy provisions.

26. Thank you for the opportunity to comment on the draft report. We stand ready to provide any further information that may be required.

