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INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

OFFICE OF INTERNAL OVERSIGHT SERVICES · BUREAU DES SERVICES DE CONTRÔLE INTERNE

INTERNAL AUDIT DIVISION · DIVISION DE L'AUDIT INTERNE

TO: Ms. Kyung-wha Kang, Deputy High Commissioner  
A: Office of the High Commissioner for Human Rights

DATE: 29 April 2010

REFERENCE: IAD: 10-

00324

FROM: Fatoumata Ndiaye, Director  
DE: Internal Audit Division, OIOS

*Fatou*

SUBJECT: **Assignment No. AR2009/336/03 - Audit of two non-governmental organizations in Bangladesh that were granted funding from the United Nations Voluntary Fund for Victims of Torture**

**Two non-governmental organizations that received grants from the United Nations Voluntary Fund for Victims of Torture did not have reliable financial reports and adequate supporting documents**

1. I am pleased to present the report on the above-mentioned audit, which was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
2. Based on your comments, we are pleased to inform you that we will close recommendation 9 in the OIOS recommendations database as indicated in Annex 1. In order for us to close the remaining recommendations, we request that you provide us with the additional information as discussed in the text of the report and also summarized in Annex 1.
3. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as high risk (i.e., recommendations 1, 2, 3, 5, 6 and 10), in its annual report to the General Assembly and semi-annual report to the Secretary-General.

## EXECUTIVE SUMMARY

### Audit of two non-governmental organizations in Bangladesh that were granted funding from the United Nations Voluntary Fund for Victims of Torture

The Office of Internal Oversight Services (OIOS) conducted an audit of two non-governmental organizations (NGOs) in Bangladesh that were granted funding from the United Nations Voluntary Fund for Victims of Torture (UNVFVT) of the Office of the High Commissioner for Human Rights (OHCHR). The overall objective of the audit was to assess the reliability of financial reports of the NGOs, the authenticity of the documents supporting the use of grants and the NGOs' compliance with the Fund's Guidelines and the Letter of Notification (agreement between VFVT and the grantee) on the use of funds. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

There were indications of mismanagement and misuse of funds in two NGOs in Bangladesh, the Rehabilitation Center for Trauma Victims (BRCT) and Naogaon Human Rights Development Association (NHRDA), which received grants from UNVFVT. They did not provide reliable financial reports and information and could not fully substantiate their financial transactions. They also did not fully comply with the requirements of the UNVFVT Guidelines and their replies to the UNVFVT Finance Questionnaires, submitted upon application for grant, were not accurate or updated as required. The audit certificate of one NGO did not contain an opinion on compliance by an NGO with the terms of the UNVFVT grants. Deficiencies in the current UNVFVT Guidelines and in the oversight of NGOs contributed to the weaknesses identified by OIOS.

UNVFVT should cease its grants to these NGOs. Both NGOs should be required to provide a formal explanation on the unreliable financial reports and unsatisfactory supporting documents. UNVFVT should also engage an independent local auditor to examine the accuracy and legitimacy of all submitted financial reports and documents. If the NGOs cannot present a justifiable explanation and properly supported documentation, UNVFVT should require them to reimburse any undocumented expenditure.

The UNVFVT should improve its Guidelines regarding the type of financial reports covered by the audit certificate, the controls over cash management, the procurement of medicines by NGOs and the submission of information on changes in officials and staff and salaries. In order to minimize the likelihood of a recurrence of similar situations, OIOS recommended that: (a) the current UNVFVT Guidelines be revised; (b) UNVFVT staff be trained to improve the financial oversight of NGOs; and (c) UNVFVT Secretariat coordinate with other UN agencies, as required, to obtain correct information regarding the NGOs, their performance and the local conditions in which they work.

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## I. INTRODUCTION

4. The Office of Internal Oversight Services (OIOS) conducted an audit of two non-governmental organizations in Bangladesh that were funded by the United Nations Voluntary Fund for Victims of Torture (UNVFVT) of the Office of the High Commissioner for Human Rights (OHCHR). The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

5. The UNVFVT was established by General Assembly Resolution 36/151 (16 December 1981) to assist torture victims and their families. The Fund receives voluntary contributions from governments, non-governmental organizations (NGOs) and individuals. The Fund then grants funding to NGOs, which in turn, provide medical, psychological, social, economic, legal and other types of humanitarian services to the torture victims. The Secretary-General administers the Fund through the OHCHR on the advice of a Board of Trustees (the Board) appointed by the Secretary-General.

6. From 19 to 23 October 2009, the Board held its 31st session in Geneva. During this session, it considered applications for grants of approximately \$18 million. The Board endorsed a total of \$11,936,450 for 223 projects in over 70 countries submitted by NGOs for the year 2010. The High Commissioner for Human Rights adopted the Board's recommendations from the 31st session on behalf of the Secretary-General.

7. In 2004, OIOS conducted an evaluation of the UNVFVT to further enhance its effectiveness. Following this evaluation, UNVFVT implemented all of OIOS' recommendations and the financial monitoring tools established by the Fund thereafter were considered by OIOS to be adequate. In performing its established monitoring function of the Fund's grantees, the UNVFVT Secretariat subsequently identified serious concerns regarding possible misuse and/or mismanagement of grants by four organizations based in Bangladesh (two organizations), Lebanon and Mexico. During its 31st session, the Board asked the Secretariat to request OIOS' assistance to further review the financial situations and accounting records of these organizations. OHCHR and OIOS decided to carry out joint monitoring visits, which consisted of UNVFVT Secretariat staff and OIOS auditors. Prior to the visits, the UNVFVT Secretariat met with OIOS auditors to inform them of key issues and specific problems to be examined during the audit of each grantee organization. During the same Board meeting, it also recommended that OIOS be invited to share its findings at its 32nd session. This meeting, where OIOS shared its findings and recommendations, took place on 3 February 2010.

8. In Bangladesh, the Secretariat of the Fund requested OIOS, in conjunction with the substantive evaluation by UNVFVT staff, to conduct a financial audit of grants awarded to two NGOs: (a) the Bangladesh Rehabilitation Center for Torture Victims (BRCT); and (b) the Naogaon Human Rights Development Association (NHRDA).

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**Table 1: BRCT and NHRDA funding 2006 to 2008 from UNVFVT**

NGO	Funding from UNVFVT (USD)		
	2006	2007	2008
BRCT	40,000	75,000	100,000
NHRDA	19,000*	20,000	30,000

\*Funding covered 2005 and 2006

## **II. AUDIT OBJECTIVES**

9. The main objectives of the audit as requested by, and agreed with, the Secretariat of the Fund were to:

- (a) Assess the reliability of financial reports of the NGOs and the authenticity of the documents supporting the use of grants; and,
- (b) Assess compliance by the NGOs with the Fund's Guidelines and the Letter of Notification (agreement between UNVFVT and the grantee) on the use of funds.

## **III. AUDIT SCOPE AND METHODOLOGY**

10. The audit was conducted from December 2009 to January 2010 and covered the financial reports and records of the two NGOs from 2006 to 2008. The audit focus was restricted to addressing the specific concerns of the UNVFVT Secretariat. The audit verified payment vouchers and supporting papers, examined and analyzed financial documents, information, records and reports, interviewed staff members of the NGOs, reviewed board minutes, correspondences and all other relevant operational documents.

11. The criteria used were the UNVFVT Guidelines, which are mandatory for all grant-receiving NGOs, and financial and/or administrative manual/instructions, if any, used by the NGO to manage its financial resources. In the absence of these requirements, the best financial management practices of other similar NGOs were taken as a benchmark. The audit also referred to other United Nations agencies' guidelines for grants to NGOs.

## **IV. AUDIT FINDINGS AND RECOMMENDATIONS**

### **A. Bangladesh Rehabilitation Centre for Trauma Victims**

12. BRCT was established in 1992 and has been providing direct rehabilitation assistance to victims of torture reported to have been perpetrated by the members of law enforcement agencies and other security forces of Bangladesh. In order to perform these activities, BRCT runs a center in the capital city of Dhaka. BRCT has been funded by UNVFVT since 1994 and its main expenditures are as follows:

**Table 2: BRCT funding from VFVT and expenditures from 2006 to 2008**

Years	Funding from VFVT (USD)	Expenditures (in USD)			
		Treatment & Rehabilitation of Victims	Salaries	Overhead	Total
2006	40,000	31,275	10,034	778	42,087
2007	75,000	48,141	20,438	6,227	74,806
2008	100,000	57,594	31,533	10,759	99,886
<b>Total</b>	<b>215,000</b>	<b>137,010</b>	<b>62,005</b>	<b>17,764</b>	<b>216,779</b>

Unreliable financial report, deficient audit certificate and financial statement

13. Paragraph 44 of the UNVFVT Guidelines given to NGOs state that “the narrative and financial reports should provide answers to all the items stated in the Secretariat’s reporting form and must show precisely how the grant of the Fund was used to assist victims of torture. Incomplete reports will be considered inadmissible.” While BRCT submitted financial reports in US dollars, the accompanying audit certificate referred to a “Receipt and Payment Accounts” in local currency. This made it difficult for OIOS to reconcile the financial report with the local external auditor’s certified financial statement. Moreover, the local external auditor did not state in his audit certificate a specific opinion as to whether BRCT was complying with the terms of the UNVFVT grant. The external auditor also did not submit a management letter, as required under paragraph 56 of the UNVFVT Guidelines.

14. The UNVFVT Guidelines, however, were not clear which financial report or statement the audit certificate should cover. UNVFVT needs to ensure that these requirements are clear, review compliance and closely monitor any non-compliant grantee. Non-compliance alone should be a cause for ceasing grants to an NGO recipient. BRCT was unable to provide OIOS with any information as to what the audit certificate actually referred. In addition, as discussed later in this report, documentation to support the reliability and authenticity of the financial reports could not be produced. This rendered both the audit certificate and the accompanying financial statement certified by the NGO’s local external auditor, who had been selected by the NGO without any UNVFVT involvement or oversight, as unreliable.

**Recommendation 1**

**(1) The United Nations Voluntary Fund for Victims of Torture (UNVFVT) Secretariat should submit to the Board revised Guidelines to clarify the financial documents that should be covered by an audit certificate, which should include an opinion on compliance with the terms of the UNVFVT grants and specify the currency to be used for financial statements accompanying the audit certificates. UNVFVT should also strengthen its oversight on the submission and review of financial reports and management letters.**

15. *OHCHR accepted recommendation 1 and stated that the Board of Trustees of the Fund has drafted and adopted the UNVFVT Guidelines. Their further revision will need*

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to be approved by the Board. The Secretariat of the Fund will integrate OIOS recommendations, including a detailed list of financial documents to be kept by grantees, as well as wording on the type/nature of external audits to be conducted on grantees, and bring them to the attention for revision and adoption by the Board of Trustees at its next session in October 2010. Recommendation 1 remains open pending the revision of the Guidelines to be effective for the 2012 grant cycle.

## **Recommendation 2**

**(2) The United Nations Voluntary Fund for Victims of Torture (UNVFVT) Secretariat should submit to the Board revised Guidelines to strengthen the role of the UNVFVT Secretariat in ensuring quality audits of the funds released to grantees.**

16. OHCHR accepted recommendation 2 and stated that it needed a certain degree of flexibility regarding the manner by which the quality of audit certificates and submissions could be improved. OIOS notes that criteria for selecting local auditors already exist in other UN funds and programmes. The importance of proper reporting by local auditors was also stressed during the Board's meeting in February 2010. Recommendation 2 remains open pending the revision of the Guidelines to be effective for the 2012 grant cycle. OIOS further suggests that OHCHR establish its own policies in overseeing the selection of external auditors in a cost-effective manner.

### Weak controls over the bank account

17. The UNVFVT Finance Questionnaire sent to the NGO asked whether the organization provided separate accounts for the fund's use. For this purpose, BRCT set up a bank account. However, the UNVFVT Guidelines did not contain any provision to ensure that the fund movements were done only in accordance with the terms of the grant agreement. It also did not make sure that the NGO reported changes in bank signatories in a timely manner. OIOS also noted the following weaknesses:

- Monthly bank statements supported by bank reconciliations covering 2006-2008 were not prepared, which raised the risk of undetected misuse of funds and unreliable bank transactions. Only one combined bank statement was provided for the period 1 July 2007 to 27 October 2008.
- Three credits appeared on the same bank statement without any further details. The NGO's Finance Manager explained that these amounts were loans given to other non-United Nations financed projects and then returned to the UNVFVT project, but these transactions could not be substantiated.
- There was discrepancy between the information provided by BRCT. In its response to the UNVFVT in the Finance Questionnaire, BRCT stated that the two bank signatories consisted of the President and the Secretary-General of the NGO. However, OIOS found that the actual bank signatory for cash withdrawals was the Treasurer, an individual whose name did not appear on the BRCT staffing lists for 2009.

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### Recommendation 3

**(3) The United Nations Voluntary Fund for Victims of Torture (UNVFVT) Secretariat should submit to the Board revised Guidelines to require non-governmental organizations (NGOs) to establish procedures to ensure that fund movements are properly authorized, recording of transactions affecting UNVFVT fund's bank accounts are correct, and changes in bank signatories and other changes in the status of the NGO's officials with signing authority are reported to UNVFVT when they occur.**

18. *OHCHR accepted recommendation 3 and stated that taking into account the scope of its mandate and resources, the UNVFVT Secretariat could not be involved in the direct and detailed control of projects. However, during monitoring visits, the Secretariat would check that relevant NGO procedures are respected in practice.* Recommendation 3 remains open pending the revision of the Guidelines to be effective for the 2012 grant cycle.

#### Financial Rules and Policies and Accounts Manual in draft form

19. Contrary to its reply to the Finance Questionnaire in 2009, BRCT did not have written accounting policies and procedures. Instead, BRCT had only drafts of the Financial Rules and Policies and the Accounts Manual during the OIOS visit to BRCT Dhaka in December 2009. In the draft Accounts Manual section "Relations to donor," the name of a different donor was specified, not UNVFVT. The draft Accounts Manual mentioned a chart of accounts, computerized accounting system and internal reporting. There was, however, no computerized accounting system as all books were maintained manually, no chart of accounts was submitted to OIOS and there was no evidence of monthly internal reporting. This misrepresentation to UNVFVT and the lack of tools to comply with the accounting and reporting requirements increased the risk of inaccurate financial reporting.

20. In the draft report, OIOS recommended that UNVFVT should require copies and review the adequacy of BRCT-approved Financial Rules and Policies and Accounting Manual. *OHCHR stated that the Board during its 32nd session in February 2010, following the OIOS presentation and substantive reports of the Secretariat regarding the field visits, decided to cease its financial support to BRCT.* In light of the prompt action taken, no further action is proposed.

#### No proper control over the recording and issuance of medicines

21. According to paragraph 59 of the UNVFVT Guidelines, grantees are required to maintain records of expenses including all receipts and invoices for a period of five years for inspection by the UNVFVT. The NGO did not keep reliable supporting documentation for its purchase and control of issuance of medicines, which cost \$30,000 a year and was funded by UNVFVT. In most cases from 2006 to 2008, there was no detailed description of the purchased medicines, although there were invoices from a pharmacy in Dhaka and a local pharmacy in the provinces. In some of the cases, handwritten internally prepared description of medicines was attached. There were no records to show that purchased medicines were the ones prescribed by the doctor to the victims

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and were received by the victims. These practices raise the risk of misuse of the UNVFVT grant.

#### **Recommendation 4**

**(4) The United Nations Voluntary Fund for Victims of Torture (UNVFVT) Secretariat should include in the Grant Agreement/Letter of Notification an assurance by the grantee that it has a documented and proper system for the procurement, distribution and storing of medicines and other supplies.**

22. *OHCHR accepted recommendation 4 and stated that to ensure value for money, OHCHR's scarce resources should be committed in a cost-effective manner, particularly as the vast majority of NGOs that are awarded grants by UNVFVT do not require a high level of scrutiny.* OIOS takes note of this position and at the same time states that medicines represent one of the important items of NGO expenditures. Recommendation 4 remains open pending the inclusion in the Grant Agreement/Letter of Notification of an amendment on the documented and proper system for the procurement, distribution and storing of medicines and other supplies.

#### Staffing costs not transparent

23. In the Financial Reports for 2006 and 2008, BRCT reported that it paid its staff on a 14-month basis per year using the UNVFVT grant. The extra pay over the budgeted 12 months was explained as extra pay for two festival allowances in Bangladesh. OIOS noted that in NHRDA, Naogaon, (part B of this report), the same two festival allowances were paid, although salaries were calculated on a 13-months basis. However, no official documents were provided to justify the difference.

24. Eleven staff members were to be paid according to BRCT's grant application, but in its revised budget and actual salary payment book, it actually paid twelve staff members with UNVFVT funds. OIOS found that BRCT requested higher salary amount for the 11 staff members and then paid one more salary to a staff, not initially included in the staff list. Further, the accountant, who appeared as a full-time Accounts Officer under the UNVFVT project's staff list for the year 2009, received a salary increase of 70 per cent from 2008 to 2009, although his functions did not change. Further, he was working for a European Union-funded project at least 50 per cent of the time, but the documents state that he worked full-time for UNVFVT project. OIOS is of the opinion that this situation was partly due to the fact that there was no requirement for the NGO to provide updated information in the Finance Questionnaire on an annual basis.

#### **Recommendation 5**

**(5) The United Nations Voluntary Fund for Victims of Torture (UNVFVT) Secretariat should submit to the Board revised Guidelines to require NGOs to provide Finance Questionnaire on an annual basis, including key information on human resources affecting the use of UNVFVT funds.**

25. *OHCHR accepted recommendation 5 and stated that submission of the Finance Questionnaire by the NGOs once per year would make it easier to monitor the changes in*

*the staffing of the organizations. OHCHR agreed that any change affecting the grant should be submitted to the Secretariat of the UNVFVT. OIOS notes that staff costs represent up to half of all expenditures of the projects and that correct use of these funds is critical. Creation of a system of control over the human resources information was supported during the Board meeting in February 2010. Recommendation 5 remains open pending submission to the Board of the revised Guidelines on the requirement for the NGOs to provide Finance Questionnaire on an annual basis, including key information on human resources affecting the use of UNVFVT funds.*

## **B. Naogaon Human Rights Development Association**

26. Since December 1992, NHRDA has been providing treatment services to women victims of torture in Bangladesh and rural distressed women in the northern part of the country. The victims receive these services free of charge, including free medicine, investigations, travel and food. Table 3 shows NHRDA's funding and expenditures.

**Table 3 – NHRDA Funding from UNVFVT and expenditures from 2006 to 2008**

Years	Funding from VFVT (USD)	Expenditures (in USD)			
		Treatment & Rehabilitation of Victims	Salaries	Overhead	Total
<b>2006</b>	10,000*	5,949	3,757	248	9,954
<b>2007</b>	20,000	11,751	8,138	288	20,177
<b>2008</b>	30,000	14,883	14,168	766	29,817
<b>Total</b>	<b>60,000</b>	<b>32,583</b>	<b>26,063</b>	<b>1,302</b>	<b>59,948</b>

\* Data referring to July – December 2006, for which reports were provided to VFVT Secretariat

### No reliable financial control system exists at NHRDA

27. The financial reports of the NGO were not reliable and it did not maintain any financial statements. In some cases, supporting documents were missing. In other cases, the files contained only internally prepared papers, such as internal receipts prepared by the NGO and did not include the original supporting documents of the vendors. These types of documents do not prove the authenticity of the expenditures incurred and money spent. OIOS' review of available documents also showed that the UNVFVT project account actually received funds other than from UNVFVT, but they remained unrecorded. According to the accountant, at the beginning of 2008 before the UNVFVT grant was received, the Secretary-General of the NGO gave a personal loan to the project. Taking into account monthly expenditures, the loan, according to NHRDA staff, was close to \$3,000, but there were no records in the books concerning the amount being received and reimbursed by the project. In addition, the reconciliation of the number of home visits and social counseling indicated in the financial report and in the case files showed that the number reported in the financial report was 17 per cent higher. This situation rendered the accounting and financial system of NHRDA unreliable.

28. OIOS' recommendation 3 with regard to BRCT on the proper authorization of fund movements and correct recording of transactions affecting UNVFVT also applies to NHRDA and therefore no recommendation is raised.

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### Poor controls over bank transactions and cash management

29. There were discrepancies between the reported and actual bank signatories. According to the UNVFVT Finance Questionnaire, cheques were to be signed by the President and the Secretary-General. However, in reality, cheques were signed by the Secretary-General and the Treasurer, an individual who was not on the payroll. The NGO explained that the Treasurer started with the NGO in 1993, but had been sick for two years and had not been living in Naogaon.

30. Moreover, the NGO issued blank cheques. Sound internal control for cash management requires that blank cheques should never be signed and should be always made out in the name of the payee and not to “bearer” or “cash” to prevent fictitious or incorrect cash payments. However, OIOS’ review of the chequebooks during their visit to Naogaon and discussions with staff of the NGO revealed that the Secretary-General of NHRDA signed blank cheques due to his frequent absences from Naogaon. This, coupled with the absence of the President’s signature (which was substituted by the signature of the Treasurer) rendered controls over cheque-handling and cash payments virtually non-existent.

31. Furthermore, controls over cash at the NGO were weak. To the extent possible, payments should be made by cheque or bank transfer to reduce the risk of inappropriate payments and loss of cash. Any substantial cash withdrawals should be exceptional and properly justified, advances or petty cash recorded, the money safeguarded to prevent loss and these withdrawals adequately documented for presentation for liquidation and/or replenishment. In the case of NHRDA, after the withdrawal from the bank, money withdrawn by cashing NHRDA cheques was neither recorded in any cash journal nor kept in the safe of the NGO. Discussions with the responsible officials revealed that after the withdrawal from the bank, cash of up to \$7,000 was physically kept by the Secretary-General of the NHRDA. There was no entry in the accounting records for the grant and liquidation of this advance, rendering the accounts inaccurate.

32. OIOS’ recommendation 3 with regard to BRCT on updating information on bank signatories also applies to NHRDA, and therefore no recommendation is raised.

### **Recommendation 6**

**(6) The United Nations Voluntary Fund for Victims of Torture (UNVFVT) Secretariat should submit to the Board revised Guidelines to request NGOs to establish sound internal controls for the proper handling of cash and cheques to address the risks of loss of cash, inappropriate payments and improper recording and documentation of transactions related to cash and bank accounts.**

33. *OHCHR accepted recommendation 6 and stated that during monitoring visits, the Secretariat will check that these controls are respected.* OIOS is of the opinion that in order to make NGOs accountable, an internal control system should be created along the lines proposed in the Guidelines. OHCHR should then establish a system of oversight. Recommendation 6 remains open pending the revision of the Guidelines on sound internal controls for the proper handling of cash and cheques to be effective for the 2012 grant cycle.

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NHRDA could not account for grant received in 2006

34. In 2006, UNVFVT financed the expenditures of NHRDA for 2005 on an *ex-post facto* basis, for which NHRDA did not send the required report. UNVFVT did not request the report due to an oversight and NHRDA did not physically keep accounting documents for 2005 to substantiate the expenditures for BDT396,249 (\$6,000). Thus, at the time of audit, NHRDA could not fully account for the grant that it received from UNVFVT in 2006.

**Recommendation 7**

**(7) The United Nations Voluntary Fund for Victims of Torture (UNVFVT) Secretariat should require Naogaon Human Rights Development Association (NHRDA) to submit a report and documentation to support expenditures totaling \$6,000 covered by the 2006 grant. Otherwise, it should request NHRDA to reimburse the amount for any undocumented or unauthorized expenditures.**

35. *OHCHR accepted recommendation 7 and stated that it will be implemented by December 2010.* Recommendation 7 remains open pending receipt of documentation to support expenditures or reimbursement of the amount for any undocumented or unauthorized expenditures.

**C. Lessons learned on financial oversight by UNVFVT of NGOs receiving grants**

36. OIOS notes that during the recent years, OHCHR, in cooperation with OIOS, took important steps to improve internal controls in the area of financial monitoring of NGOs receiving grants. In 2004, OIOS performed an evaluation of the UNVFVT (E/CN.4/2005/55) and in 2008 issued the related OIOS follow-up report. This report concluded *inter alia* that the finance questionnaire used to obtain financial information necessary for assessment of the adequacy of grantees' financial and accounting systems and to ensure accountability for the grant developed by the Fund, as reviewed by OIOS, was adequately addressing issues of management, internal control, accounting system, fund control, and assistance to victims. All other OIOS recommendations in 2004 have been implemented, including the establishment of detailed monitoring and evaluation mechanisms that comprise pre-screening visits by its staff and UN offices at country level, systematic external audits on the use of the grants, annual reporting and *ad hoc* inspection visits in collaboration with OIOS, when required.

37. However, the weak financial reporting and internal controls of these two NGOs indicate that UNVFVT needs to further strengthen its oversight of NGOs receiving grant money and improve its Guidelines. UNVFVT staff may need to strengthen its oversight tools, receive training on reviewing and processing financial reports, interpreting and analyzing financial data and information on grant applications and related documents. In view of unreliable financial reports and unsatisfactory supporting documents, UNVFVT should consider the cost-effectiveness of engaging an independent local auditor to review the accounting records and supporting documents from 2006 to 2008, as well as 2009, to establish the amount of actual expenditures and any amount that should be reimbursed to the UNVFVT fund. Since OHCHR has no representation in Bangladesh, it could use the services of other UN funds and programmes, like the United Nations High Commissioner

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for Refugees (UNHCR) and the United Nations Development Programme (UNDP), that are present in the country, in cases concerning the questionable use of funds by the NGOs.

#### **Recommendations 8 to 11**

**(8) The United Nations Voluntary Fund for Victims of Torture (UNVFVT) should develop tools and organize training for UNVFVT Secretariat staff to review financial reports, financial information on grant applications and related documents.**

**(9) The United Nations Voluntary Fund for Victims of Torture (UNVFVT) should cease its financial support to Bangladesh Rehabilitation Centre for Trauma Victims and Naogaon Human Rights Development Association these two non-governmental organizations.**

**(10) The United Nations Voluntary Fund for Victims of Torture (UNVFVT) should require both non-governmental organizations (NGOs) to provide a formal explanation on the unreliable financial reports and unsatisfactory supporting documents and should engage an independent local auditor to examine the accuracy and legitimacy of all submitted financial reports and documents. If the NGOs do not present a justifiable explanation and properly supported documentation, UNVFVT should require them to reimburse it for any undocumented expenditures.**

**(11) The United Nations Voluntary Fund for Victims of Torture (UNVFVT) Secretariat should, on an *ad hoc* basis, seek the assistance of other UN funds and programmes, like the United Nations High Commissioner for Refugees and the United Nations Development Programme, to establish the following in order to enhance the reliability of financial information provided by non-governmental organizations operating in countries in which OHCHR has no representation in the country: (a) indicative salaries in the country for the professions financed by the UNVFVT projects to ensure that the UNVFVT financed staff are not overpaid; (b) assurance that staff is not receiving salaries from different sources corresponding to more than 100 per cent occupancy of the post; and (c) assurance that the number of staff and names in the financial reports correspond to the numbers and names in the staffing tables.**

38. *OHCHR accepted recommendation 8 and stated that staff training will be organized in December 2010 in collaboration with OIOS on the review of financial reports and audits. Recommendation 8 remains open pending the implementation of the training programme.*

39. *OHCHR accepted recommendation 9 and stated that it was already implemented by the BOT decision at its 32<sup>nd</sup> session in February 2010. In view of the explanation provided, recommendation 9 has been closed in the OIOS recommendations database.*

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40. *OHCHR accepted recommendation 10 and stated that following the OIOS main recommendations presented during its 32<sup>nd</sup> session, the Board requested the Secretariat to continue its investigation on the misuse of funds during the past five years, with the view to requesting a refund of any misused grants. To ensure collaboration of the said organization, it also decided to tell them that consideration of their applications was postponed.* Recommendation 10 remains open pending receipt of relevant explanations and the results of the review by an independent local auditor.

41. *OHCHR accepted recommendation 11 and stated that taking into account the work involved for the third parties (funds and programmes), it would be feasible to implement it on an ad hoc basis, as they had on different occasions requested assistance from UN field presences.* Recommendation 11 remains open pending the receipt of documentation on the use of the services of other UN funds and programmes on an ad hoc basis.

## V. ACKNOWLEDGEMENT

42. We wish to express our appreciation to the Management and staff of UNVFVT for the assistance and cooperation extended to the auditors during this assignment.

cc: Mr. Paulo David, Secretary, UNVFVT, OHCHR  
Mr. Kyle Ward, Chief, Programme Support and Management Services, OHCHR  
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors  
Ms. Susanne Frueh, Executive Secretary, Joint Inspection Unit  
Mr. Moses Bamuwanye, Chief, Oversight Support Unit, Department of Management  
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**STATUS OF AUDIT RECOMMENDATIONS**

<b>Recom. no.</b>	<b>Recommendation</b>	<b>Risk category</b>	<b>Risk rating</b>	<b>C/O<sup>1</sup></b>	<b>Actions needed to close recommendation</b>	<b>Implementation date<sup>2</sup></b>
1	The United Nations Voluntary Fund for Victims of Torture (UNVFVT) Secretariat should submit to the Board revised Guidelines to clarify the financial documents that should be covered by an audit certificate, which should include an opinion on compliance with the terms of the UNVFVT grants and specify the currency to be used for financial statements accompanying the audit certificates. UNVFVT should also strengthen its oversight on the submission and review of financial reports and management letters.	Financial	High	O	Revision of the Guidelines to be effective for the 2012 grant cycle.	October 2010
2	The United Nations Voluntary Fund for Victims of Torture (UNVFVT) Secretariat should submit to the Board revised Guidelines to strengthen the role of the UNVFVT Secretariat in ensuring quality audits of the funds released to grantees.	Financial	High	O	Revision of the Guidelines to be effective for the 2012 grant cycle.	October 2010
3	The United Nations Voluntary Fund for Victims of Torture (UNVFVT) Secretariat should submit to the Board revised Guidelines to require non-governmental organizations (NGOs) to establish procedures to ensure that fund movements are properly authorized, recording of transactions affecting UNVFVT fund's bank accounts are correct, and changes in bank signatories and other changes in the status of the NGO's officials with signing authority are reported to UNVFVT when they occur.	Financial	High	O	Revision of the Guidelines to be effective for the 2012 grant cycle.	October 2010

Recom. no.	Recommendation	Risk category	Risk rating	C/O <sup>1</sup>	Actions needed to close recommendation	Implementation date <sup>2</sup>
4	The United Nations Voluntary Fund for Victims of Torture (UNVFVT) Secretariat should include in the Grant Agreement/Letter of Notification an assurance by the grantee that it has a documented and proper system for the procurement, distribution and storing of medicines and other supplies.	Financial	Moderate	O	Inclusion in the Grant Agreement/Letter of Notification of an amendment on the documented and proper system for the procurement, distribution and storing of medicines and other supplies.	Not provided
5	The United Nations Voluntary Fund for Victims of Torture (UNVFVT) Secretariat should submit to the Board revised Guidelines to require NGOs to provide Finance Questionnaire on an annual basis, including key information on human resources affecting the use of UNVFVT funds.	Financial	High	O	Submission to the Board of the revised Guidelines on the requirement for the NGOs to provide Finance Questionnaire on an annual basis, including key information on human resources affecting the use of UNVFVT funds.	October 2010
6	The United Nations Voluntary Fund for Victims of Torture (UNVFVT) Secretariat should submit to the Board revised Guidelines to request NGOs to establish sound internal controls for the proper handling of cash and cheques to address the risks of loss of cash, inappropriate payments and improper recording and documentation of transactions related to cash and bank accounts.	Financial	High	O	Revision of the Guidelines on sound internal controls for proper handling of cash and checks to be effective for the 2012 grant cycle.	October 2010
7	The United Nations Voluntary Fund for Victims of Torture (UNVFVT) Secretariat should require Naogaon Human Rights Development Association (NHRDA) to submit a report and documentation to support expenditures totaling \$6,000 covered by the 2006 grant. Otherwise, it should request NHRDA to reimburse the amount for any undocumented or unauthorized expenditures.	Financial	Moderate	O	Receipt of report and documentation to support expenditure or reimbursement of the amount for any undocumented or unauthorized expenditure.	December 2010
8	The United Nations Voluntary Fund for Victims of Torture (UNVFVT) should	Financial	Moderate	O	Receipt of the training programme	December 2010

Recom. no.	Recommendation	Risk category	Risk rating	C/O <sup>1</sup>	Actions needed to close recommendation	Implementation date <sup>2</sup>
	develop tools and organize training for UNVFVT Secretariat staff to review financial reports, financial information on grant applications and related documents.					
9	The United Nations Voluntary Fund for Victims of Torture (UNVFVT) should cease its financial support to these two non-governmental organizations.	Financial	Moderate	C		
10	The United Nations Voluntary Fund for Victims of Torture (UNVFVT) should Require both non-governmental organizations (NGOs) to provide a formal explanation on the unreliable financial reports and unsatisfactory supporting documents and should engage an independent local auditor to examine the accuracy and legitimacy of all submitted financial reports and documents. If the NGOs do not present a justifiable explanation and properly supported documentation, UNVFVT should require them to reimburse it for any undocumented expenditures.	Financial	High	O	Receipt relevant explanations and the results of the review by an independent local auditor.	Not provided
11	The United Nations Voluntary Fund for Victims of Torture (UNVFVT) Secretariat should on an <i>ad hoc</i> basis seek the assistance of other UN funds and programmes, like the United Nations High Commissioner for Refugees and the United Nations Development Programme, to establish the following in order to enhance the reliability of financial information provided by non-governmental organizations operating in countries in which OHCHR has no representation in the country: (a) indicative salaries in the country for the professions financed by the UNVFVT projects to ensure that the	Financial	Moderate	O	Receipt of documentation on the use of UN Funds and Programmes on an <i>ad hoc</i> basis.	Not provided

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<b>Recom. no.</b>	<b>Recommendation</b>	<b>Risk category</b>	<b>Risk rating</b>	<b>C/O<sup>1</sup></b>	<b>Actions needed to close recommendation</b>	<b>Implementation date<sup>2</sup></b>
	UNVFVT financed staff are not overpaid; (b) assurance that staff is not receiving salaries from different sources corresponding to more than 100 percent occupancy of the post; and (c) assurance that the number of staff and names in the financial reports correspond to the numbers and names in the staffing tables.					

<sup>1</sup> C = closed, O = open

<sup>2</sup> Date provided by OHCHR in response to recommendations