



INTERNAL AUDIT DIVISION

AUDIT REPORT

Audit of the Trust Fund for the support of the activities of MINURCAT

While test-checks of transactions showed that the expenditures incurred were for activities pertaining to the Trust Fund, there were significant internal control weaknesses including non-compliance with regulations, rules and donor agreements

13 June 2011
Assignment No. AP2010/636/11

United Nations  Nations Unies

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. Susana Malcorra, Under-Secretary-General
A: for Field Support

DATE: 13 June 2011

Ms. Angela Kane, Under-Secretary-General
for Management

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



REFERENCE: IAD: 11- 00448

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

1. I am pleased to present the report on the above-mentioned audit.
 2. In order for us to close the 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 2, 3 and 4) in its annual report to the General Assembly and semi-annual report to the Secretary-General.
- cc: Mr. Jun Yamazaki, Assistant Secretary-General/Controller, OPPBA
Mr. Anthony Banbury, Assistant Secretary-General, DFS
Mr. Mario Baez, Chief, Policy and Oversight Coordination Service, DM
Mr. James Mutiso, Director, Field Budget and Finance Division, DFS
Mr. Seth Adza, Chief, Audit Response Team, DFS
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INTERNAL AUDIT DIVISION

FUNCTION

“The Office shall, in accordance with the relevant provisions of the Financial Regulations and Rules of the United Nations examine, review and appraise the use of financial resources of the United Nations in order to guarantee the implementation of programmes and legislative mandates, ascertain compliance of programme managers with the financial and administrative regulations and rules, as well as with the approved recommendations of external oversight bodies, undertake management audits, reviews and surveys to improve the structure of the Organization and its responsiveness to the requirements of programmes and legislative mandates, and monitor the effectiveness of the systems of internal control of the Organization” (General Assembly Resolution 48/218 B).

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EXECUTIVE SUMMARY

Audit of the Trust Fund for the support of the activities of MINURCAT

The Office of Internal Oversight Services (OIOS) conducted an audit of the Trust Fund for the support of the activities of the United Nations Mission in the Central African Republic and Chad (MINURCAT). The audit was requested by the Special Representative of the Secretary-General for MINURCAT and the Department of Field Support (DFS). The overall objective of the audit was to assess the adequacy and effectiveness of internal controls over the activities of the Trust Fund. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

While the transactions test-checked by OIOS showed that the expenditures incurred were for activities pertaining to the Trust Fund, there were significant weaknesses in internal control, including non-compliance with the United Nations regulations and rules and donor agreements. The main audit results are as follows:

- Contrary to the agreement with the Government of the Netherlands, out of the contribution of \$2.53 million, MINURCAT spent only \$30,000 for earmarked purposes and the rest for other requirements of the Trust Fund.
- MINURCAT had used \$4.13 million from its peacekeeping budget to pay for activities that should have been funded from the Trust Fund. Although an amount of \$1.96 million was later charged back to the Trust Fund and returned to the peacekeeping account, the remaining amount of \$2.17 million was yet to be adjusted.
- As of 31 January 2011, the balance of unspent contributions to be returned to each donor had not been determined. This was because there were no controls to ensure that expenditures were matched against the respective contributions, to ensure not just accurate accounting but also proper monitoring and reporting of expenditures against the earmarks stipulated in the donor agreements.
- Guidance and monitoring by DFS and the Office of Programme Planning, Budget and Accounts (OPPBA) were not always effective. There were lapses in ensuring that the cost plans submitted by MINURCAT in support of allotment requests were consistent with the earmarks stipulated in the donor agreements. Budget redeployments made by MINURCAT, which were not compliant with the Controller's instructions, went undetected.
- The lack of clarity in the roles and responsibilities of the Field Budget and Finance Division in DFS needs to be addressed by appropriately revising the terms of reference for trust funds issued by the Controller.

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I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the Trust Fund for the support of the activities of the United Nations Mission in the Central African Republic and Chad (MINURCAT). The audit was requested by the Special Representative of the Secretary-General (SRSG) for MINURCAT and the Department of Field Support (DFS). The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. The Trust Fund established in September 2007 was used to provide support to the Détachement Intégré de Sécurité (DIS), who are about 850 Chadian police that have been trained by MINURCAT to maintain order and security in refugee camps and internally displaced persons sites in Chad. MINURCAT started its training and deployment of DIS in 2008. The activities of the Trust Fund came to an end on 31 December 2010 with the expiration of MINURCAT's mandate.

3. A total of 11 donors contributed to the Fund. As of 10 November 2010, cumulative income and expenditure were \$32.7 million and \$25.3 million, respectively.

4. The Controller designated MINURCAT as the implementing office of the Trust Fund. The responsibilities of Mission personnel were stipulated in the terms of reference (ToR) between the Controller and MINURCAT. The SRSG was designated as the programme manager responsible for ensuring that the Trust Fund was used for the intended purpose, and the MINURCAT Director of Mission Support (DMS) was the Certifying Officer of the Trust Fund responsible for ensuring that expenditures were incurred in accordance with the United Nations regulations, rules and procedures. A senior administrative officer was assigned as the Chief of the MINURCAT Trust Fund Unit, responsible for supporting the Certifying Officer in the day-to-day administration of the Fund.

5. Comments made by DFS and the Office of Programme Planning, Budget and Accounts (OPPBA) are shown in *italics*.

II. AUDIT OBJECTIVES

6. The main objectives of the audit were to assess the adequacy and effectiveness of internal controls over the Trust Fund in ensuring that expenditures were incurred for the intended purposes in accordance with the United Nations Financial Regulations and Rules and donor agreements.

III. AUDIT SCOPE AND METHODOLOGY

7. The audit covered transactions of the Trust Fund from 1 January 2008 to 10 November 2010, and on a sample basis, tested the adequacy of supporting documents. However, the use of items procured from the Trust Fund was not reviewed.

8. The audit methodology included: (a) review of relevant documents, policies and procedures; (b) tests of sampled transactions; and (c) discussions and interviews with responsible personnel from MINURCAT, DFS and the Department of Management (DM).

IV. OVERALL OPINION

9. OIOS identified a number of internal control failures in implementing, monitoring and reporting on the Trust Fund. Contribution from a donor was spent on expenditures other than earmarked. MINURCAT used funds from the peacekeeping budget to meet expenditures pertaining to Trust Fund activities without the Controller's authorization. Budget redeployments of the Trust Fund were contrary to the Controller's instructions. The Mission failed to submit the financial and inventory reports required by OPPBA. DFS and OPPBA failed to ensure that the cost plans submitted by MINURCAT in support of allotment requests were consistent with the earmarks stipulated in the donor agreements. Budget redeployments made by MINURCAT, which were not compliant with the Controller's instructions, went undetected.

V. AUDIT RESULTS

A. Review of expenditure records

10. As of November 2010, expenditures amounting to \$25.3 million had been incurred from the Trust Fund. These mainly consisted of monthly stipends to DIS officers, purchase of 210 vehicles, construction of 19 police stations, and other items such as spare parts and fuel.

11. OIOS test-checked a sample of transactions totalling \$4.4 million and determined that these were bona fide charges pertaining to the activities of the Trust Fund.

B. Non-compliance with the agreement with the Government of the Netherlands

12. The Government of the Netherlands (GoN) entered into an agreement with the United Nations whereby it agreed to contribute \$2,528,000 (equivalent to €2 million) to support MINURCAT's Course/Skills Harmonization Training for DIS.

13. Paragraph 2 of the agreement stipulated that "no changes may be made to either the project or its implementation without the written consent of both signatories." This clearly meant that the available funds were solely earmarked for the provision of skills training to DIS. However, only about \$30,000 from the GoN's contribution was spent on skills training, while the rest was used for other expenditures including payment of monthly stipends to DIS personnel and purchase of equipment. Upon discovery of the mistake by OPPBA and DFS, on 31 January 2011, DFS wrote to the GoN, explaining the challenges faced by the

Organization in its continued presence in Chad and the Central African Republic, and requested the GoN to consider granting its authorization for the portion of the contribution not used for skills training to be applied to other expenditures totalling \$2,118,222. Response from the GoN was awaited.

14. The processing and approval of expenditures other than for skills training involved not just MINURCAT but also the Field Budget and Finance Division (FBFD) of DFS and the Peacekeeping Finance Division (PFD) of OPPBA in DM. Accountability was blurred by the unclear roles and responsibilities of MINURCAT, FBFD and PFD. Although MINURCAT was the implementing office of the Trust Fund, FBFD on behalf of MINURCAT requested PFD to issue the allotment and release the contribution to MINURCAT. However, both FBFD and PFD thought it was the other division's responsibility to review MINURCAT's allotment request.

15. The following internal control lapses resulted:

- MINURCAT's cost plan for the GoN fund, which was developed in September 2009, did not earmark the GoN funds in accordance with the donor agreement. As a result, no control was established to ensure that the expenditures incurred were in conformity with the agreement.
- It appeared that FBFD did not review the cost plan submitted by MINURCAT. FBFD's allotment request to PFD on behalf of MINURCAT consisted of a cover letter and the cost plan. While the cover letter clearly indicated the earmark requirement, FBFD did not revise the cost plan submitted by MINURCAT to ensure alignment with the earmark requirement, and PFD approved the allotment request without detecting the inconsistencies between the donor agreement and cost plan. *OPPBA stated that it was not apparent that the donor agreement and cost plan were inconsistent at the time of the PFD approval.*

C. Reporting to donors

Reporting to the GoN

16. The agreement between the GoN and the United Nations to support MINURCAT's Course/Skills Harmonization Training for DIS required that training would start on 23 October 2008 and conclude by 15 March 2009, and final narrative and financial reports would be submitted to the GoN no later than 15 June 2009. The donor extended the reporting deadline to 31 March, 1 September and again to 31 December 2010. However, final narrative and financial reports had not been submitted to the GoN as of the end of January 2011. On 31 January 2011, DFS wrote to the GoN that timely reporting of expenditures from the Mission's Trust Fund has lagged behind the administrative requirements usually adopted for donor contributions administered by peacekeeping operations.

Reporting to the European Union (EU)

17. An agreement was entered into by the United Nations with the EU in December 2007 on receipt of its contribution of \$14.4 million (equivalent to €9.5 million) to support DIS. The agreement required the United Nations to use the funds by 31 December 2009 (later extended to 31 March 2010) and submit final narrative and financial reports.

18. The financial report submitted by MINURCAT to the EU in March 2010, without informing or consulting FBFD and OPPBA, did not reconcile with the figures in the financial statements of the Trust Fund as of 31 December 2009 issued by the Controller. The ToR for the Trust Fund did not specify which office would be responsible for reporting to donors. *OPPBA stated that the implementing office should not submit any financial reporting to donors without consultation and certification by OPPBA. It was the view of OPPBA that MINURCAT was not in compliance with the procedure prescribed in paragraph 24 of the terms of reference for the Trust Fund.* The errors in MINURCAT's financial report were as follows:

- Total contributions as of 31 December 2009 were overstated by \$1.25 million;
- Expenditures of \$2.17 million that had not been reflected in the financial statement of the Trust Fund (this is further discussed in section E below);
- Project support costs were understated by \$48,100; and
- Interest income was understated by \$841,910.

19. Based on the financial report on the project expenditures provided by MINURCAT, the EU requested a reimbursement of €684,934. In response to this, on 23 February 2011, DFS wrote to the EU stating the report submitted by MINURCAT was an interim financial report for the period 1 January 2008 to 31 December 2009, and that the reimbursement of the unspent balance may only be based on a financial statement approved by the Controller, as required by the ToR for the Trust Fund. DFS further stated that the reconciliation and finalization of the Trust Fund's accounts would be completed shortly.

20. DFS stated that it would refine its policy directive on the roles and responsibilities relating to donor reporting.

D. Difficulty in determining amounts to be returned to donors

21. As of 31 January 2011, the balance of unspent contributions to be returned to each donor had not been determined. This was because MINURCAT had not implemented basic controls to ensure that Trust Fund expenditures were matched against the respective contributions. Such controls were necessary not just for accurate accounting but also for proper monitoring and reporting of expenditures against the specific earmarks stipulated by donors. DFS acknowledged that controls were weak but stated that there were challenges in ensuring that expenditures were properly allocated to donors' projects, as similar activities were funded by more than one donor.

22. OPPBA's guidance to MINURCAT in this regard was not consistent. In August/September 2010, when it emerged that the Mission was not properly accounting for the transactions of the Trust Fund and ensuring that expenditures were charged against the donors' contributions, PFD on 11 August 2010 asked DFS and MINURCAT to pro-rate the remaining fund balances to each donor based on their initial contributions. *OPPBA stated that PFD did not have all donor agreements and supporting documents at the time.* PFD later changed its position and asked that the actual expenditure be matched against the respective contributions on 22 September 2010. *OPPBA acknowledged that guidance provided by PFD changed, but stated that it was a necessary action to ensure that recording of expenditure was in accordance with the donor agreements, upon receiving and reviewing the agreements and documents.*

23. There is currently no policy or procedure developed by OPPBA to guide implementing offices on how to account for trust funds involving multiple donors and earmarks. Such guidance is required to ensure accurate accounting and effective monitoring of expenditures and unspent balances pertaining to each donor. DFS was also of the opinion that a policy was necessary to ensure transparency and avoid delays in processing allotments and rollovers of unspent balances. DFS was of the view that any new policy should involve consultations to ensure that it meets field missions' operational requirements. *OPPBA informed 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. OPPBA further stated that the draft manual will be finalized based on comments collected from field missions and Headquarters.*

E. Unauthorized use of peacekeeping budget resources for Trust Fund activities

24. From 1 January 2009 to 31 October 2010, MINURCAT used funds totalling \$4.13 million from its assessed peacekeeping budget to meet expenditures relating to Trust Fund activities, without obtaining authorization from the Controller.

25. The Certifying Officer and the Chief of the MINURCAT Trust Fund Unit stated that this was done to meet the shortfall in funds made available to the Mission due to delays in issuance of allotments by OPPBA. The Mission sought to justify its action on the grounds that sufficient balance was available in the Fund's account (maintained by the Controller) when these expenditures were incurred.

26. In OIOS' opinion, there are two control issues here. First, the use of peacekeeping funds to meet expenditures relating to the Trust Fund was contrary to United Nations Financial Regulation 5.9, which stipulates that obligations shall be incurred only after allotments or other appropriate authorizations are issued under the authority of the Secretary-General (i.e., by the Controller). Also, the Controller's allotment instructions clearly state that the Controller's

authorization is required for budget redeployment between different funding sources.

27. Second, MINURCAT did not fully account for the Trust Fund expenditures charged to the peacekeeping account. From time to time, MINURCAT made retroactive accounting adjustments to charge the Trust Fund for the portion of peacekeeping funds that were used for Trust Fund activities, and to thereby reimburse the peacekeeping account. However, MINURCAT charged back to the Trust Fund only \$1.96 million out of the \$4.13 million used from the peacekeeping account, leaving a balance of \$2.17 million that had not been adjusted. According to MINURCAT, this was because the Trust Fund's accounts for the biennium 2008-2009 were already closed and submitted to the Accounts Division in OPPBA.

28. As a result of MINURCAT's failure to charge the expenditure of \$2.17 million to the Trust Fund, the expenditure of the Trust Fund as of 31 December 2009 was understated by \$2.17 million, and its unspent balance was overstated by the same amount. Also, the expenditure reported in the performance report relating to MINURCAT's peacekeeping budget for the period 1 July 2008 to 30 June 2009 was overstated by \$2.17 million.

29. OIOS' review of a sample of transactions totalling \$200,000 from the unadjusted balance of \$2.17 million showed that they were legitimate expenditures chargeable to the Trust Fund. FBFD stated that it intended to conduct further verification of the \$2.17 million, and that there were accounting lapses at MINURCAT. FBFD also indicated that as per normal practice, full supporting documentation would be provided, reviewed and endorsed by DFS and DM before a prior period adjustment is made. FBFD and PFD have not yet determined how the \$2.17 million will be funded. Due to incomplete reconciliation of unspent contributions relating to each donor (which was still ongoing as of early March 2011), and pending a response from GoN to DFS' request to apply the unspent balance to other expenditures, it was not clear whether the overall unspent balance of the Trust Fund was sufficient to absorb the expenditure of \$2.17 million. *OPPBA stated that verification of all transactions totalling \$2.17 million and determination of the overall unspent balance of the Trust Fund by DFS needed to be completed before discussion of the funding source of the \$2.17 million.*

30. A separate OIOS audit of the disposal of assets during MINURCAT's liquidation (AP2010/636/09) identified an additional \$1.45 million disbursed from the MINURCAT peacekeeping budget to pay for activities that should have been charged to the Trust Fund. Only \$430,000 of the \$1.45 million was charged to the Trust Fund as the Fund did not have enough balance to absorb the full \$1.45 million. DFS informed OIOS that it is further reviewing those charges.

F. Roll-over of the unspent balance

31. In March 2010, MINURCAT requested PFD to approve the roll-over of an unspent balance of \$3.6 million from 2009 to 2010. The amount of \$3.6 million included \$60,000 contributed by the Government of the Czech Republic, \$587,243 received from the Government of Norway and \$2.18 million from the EU.

32. Upon receipt of the request for roll-over, which FBFD submitted to PFD on behalf of MINURCAT, PFD requested MINURCAT and FBFD to provide copies of the formal agreements with donors and appropriate cost plans. MINURCAT and FBFD did not provide them, and PFD did not follow-up on this matter. Therefore, the roll-over did not take place as requested.

33. MINURCAT re-submitted its roll-over request to PFD on 24 August 2010, but it was not approved due to the following:

- MINURCAT, FBFD and PFD could not locate the donor agreement with the Government of the Czech Republic. DFS informed OIOS that the contribution from the Czech Republic was received without any document, while most of the contributions were received after a donor conference for the Trust Fund with either agreements or acceptance letters.
- MINURCAT was unable to identify suitable activities for the contribution from the Government of Norway, which was earmarked to be used for justice and correction issues and therefore, had not developed a cost plan.
- PFD in its memorandum of 22 September 2010 concluded that the balance of the EU contribution, which had a condition that the funds needed to be used by 31 March 2010, was not eligible for roll-over without the donor's approval. Also, MINURCAT had not completed the reconciliation of the related accounts.

34. The process of requesting and approving the roll-over was too long. It took six months for MINURCAT, PFD and FBFD to agree and conclude that the EU contribution could not be rolled-over without the donor's approval, even though there was a clear stipulation in the donor agreement that the project should be completed by the end of March 2010.

35. OIOS' review of the communications among PFD, FBFD and MINURCAT showed that the approach in this matter was uncoordinated and unproductive.

G. Unclear roles and responsibilities of FBFD/DFS

36. The roles and responsibilities of FBFD were unclear even though FBFD was closely involved in many aspects of managing the Trust Fund and reporting to donors. This lack of clarity was one of the key factors that contributed to the ineffective guidance and monitoring provided by DFS to MINURCAT. For example, FBFD submitted to PFD the initial roll-over request and cost plan for the Netherlands' contribution even though MINURCAT was the responsible implementing office for the Trust Fund. On the other hand, FBFD asked PFD to communicate directly to MINURCAT on other matters relating to the Fund. Also, PFD requested FBFD to perform certain actions such as reconciliation and verification of accounts which, according to FBFD personnel, should have been performed by MINURCAT.

37. The terms of reference for the Trust Fund between the Controller and MINURCAT, modeled on the standard terms of reference developed by DFS for trust funds managed by field missions, were silent on the roles and responsibilities of FBFD. Also, DFS had not accepted an earlier OIOS recommendation (AP2007/600/7 recommendation 2) to clarify the roles and responsibilities of FBFD's desk officers for trust funds.

38. *OPPBA commented that in its view the first level of internal control over management of trust funds rests with the implementing offices, 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 administer and monitor 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 accounting policies and procedures and ensuring effective and efficient use and sound management of all resources made available to the Organization directly or through delegation of authority.*

H. Budget redeployment not compliant with the Controller's instructions

39. The allotment advices issued by PFD for the Trust Fund indicated that MINURCAT was not authorized to undertake redeployment of funds without the prior approval of the Controller. However, the report on the status of allotments as at 31 October 2010 showed that MINURCAT had redeployed its allotted funds across eight budget classes¹. Four budget classes (i.e., rental and maintenance of premises, travel of staff, supplies and communications) had negative balances, meaning that disbursements against those budget classes exceeded the allotment, and the excess was met from other budget classes. These redeployments were made mainly to accommodate the cost of fuel and DIS stipends under supplies. No attempt was made to seek the Controller's approval.

¹ A budget class contains more than one expenditure account code. For example, rental and maintenance of premises is a budget class containing expenditure codes such as rental and water.

40. MINURCAT personnel were of the view that the Mission had the delegated authority to redeploy funds between budget classes. However, the delegated authority related only to the Mission's peacekeeping budget, and not the Trust Fund. *OPPBA stated that this was clearly indicated in the delegation of authority to the then-Chief of Mission Support.*

41. MINURCAT submitted to OPPBA a report on the status of allotments as at 31 October 2010. However, OPPBA did not remind MINURCAT that the redeployments were unauthorized.

42. *OPPBA stated 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, which does not have any record of receiving a report on the status of allotments as at 31 October 2010. OPPBA further stated that 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 OPPBA and DFS. OPPBA agreed that, to address such risk, there is a need to strengthen the monitoring role of OPPBA to detect such unauthorized redeployments at an early stage and request 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, which PFD will review and alert field missions when an unauthorized redeployments are detected.*

I. Other issues

43. There were other control weaknesses as follows:

- The Certifying Officer did not request the approval of the Programme Manager and the Controller for the disposal of the Trust Fund assets/inventory, as required by paragraph 23 of the ToR. The Mission's liquidation plan did not separate assets of the Fund from those of the peacekeeping account. MINURCAT and DFS have since submitted a separate disposal plan for the Fund's assets to the Controller for his ex post facto approval.
- The Mission did not submit the progress and financial report to the Controller for the period ending 31 December 2009, as required by paragraph 24 of the ToR; no follow-up occurred until September 2010.
- OIOS' previous audit of fuel management in MINURCAT (AP2009/636/02 dated on 28 April 2010) reported internal control weaknesses over the Mission's system to quantify and account for the cost of fuel issued to DIS (also chargeable to the trust fund). The Mission's controls over fuel remained weak and the fuel issued to DIS surpassed the projected fuel consumption for 2010 significantly. While the projected fuel expenditure was \$876,000 for 2010, the actual consumption from January to November 2010 was \$1.6 million.

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- Financial records maintained by the MINURCAT Trust Fund Unit contained a number of inaccuracies. The Unit, unaware of the need to do so, did not reconcile its figures with those in the financial statements issued by the Controller. As a result, considerable effort was required by FBFD and PFD to correct and reconcile the related financial information.
 - The MINURCAT Trust Fund Unit did not have copies of donor agreements with the Czech Republic, Belgium, France, and (for its first contribution) Luxembourg. As an office responsible for implementing the Trust Fund, MINURCAT needed to ensure that it had all required documents.

VI. RECOMMENDATIONS

Recommendation 1

(1) The Department of Field Support, in coordination with the Office of Programme Planning, Budget and Accounts, should finalize the substantive and financial report supporting the expenditures against the contribution from the Government of the Netherlands and the European Union to the MINURCAT Trust Fund and return the unspent balance.

44. *DFS accepted recommendation 1 stating that finalization of the substantive and financial reports and acquittal of outstanding contribution remained dependent on clarification from the GoN and EU of issues on their remaining contribution balances that were raised by DFS and OPPBA. Recommendation 1 will remain open until confirmation by DFS and OPPBA on issuance of the final reports to the GoN and EU.*

Recommendation 2

(2) The Office of Programme Planning, Budget and Accounts should issue appropriate guidance to implementing offices on recording of expenditures against the respective donors' contributions for trust funds involving multiple donors and earmarks, so that expenditures and unspent balances can be monitored with reference to the donor agreements.

45. *OPPBA accepted recommendation 2 stating that 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. Recommendation 2 will remain open until receipt of a copy of the finalized guidance.

Recommendation 3

(3) The Office of Programme Planning, Budget and Accounts, in coordination with the Department of Field Support, should make appropriate prior period adjustments to account for funds that were used from the peacekeeping budget instead of the MINURCAT Trust Fund.

46. *OPPBA accepted recommendation 3 stating that appropriate prior period adjustments will be made once verification of \$2.17 million to be recorded as expenditure of the Trust Fund by DFS and MINURCAT is complete. Recommendation 3 will remain open until confirmation by OPPBA and DFS on completion of appropriate prior period adjustments.*

Recommendation 4

(4) 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 the Controller, DFS and missions for trust funds pertaining to field missions; (b) ensure that the terms of reference for trust funds reflect the clarified roles and responsibilities; and (c) implement adequate monitoring for compliance with the policy provisions.

47. *DFS accepted recommendation 4 stating that it would formally issue standard operating procedures in consultation with OPPBA. OPPBA commented that it was of the view that a policy clarifying roles and responsibilities between OPPBA and the implementing office such as field missions was already available in the administrative instruction on general trust funds (ST/AI/284) as well as the terms of reference for the Trust Fund, while the roles and responsibilities of FBFD/DFS for management of trust funds needed to be clarified. Recommendation 4 will remain open until the receipt of documents indicating implementation of the recommended actions.*

VII. ACKNOWLEDGEMENT

48. We wish to express our appreciation to the Management and staff of MINURCAT, DFS and DM for the assistance and cooperation extended to the auditors during this assignment.

STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
1	The Department of Field Support, in coordination with the Office of Programme Planning, Budget and Accounts, should finalize the substantive and financial report supporting the expenditures against the contribution from the Government of the Netherlands and the European Union to the MINURCAT Trust Fund and return the unspent balance.	Financial	Medium	O	Confirmation by DFS and OPPBA on issuance of the final reports to the GoN and EU	June 2011
2	The Office of Programme Planning, Budget and Accounts should issue appropriate guidance to implementing offices on recording of expenditures against the respective donors' contributions for trust funds involving multiple donors and earmarks, so that expenditures and unspent balances can be monitored with reference to the donor agreements.	Financial	High	O	Receipt of a copy of the finalized guidance	Not provided
3	The Office of Programme Planning, Budget and Accounts, in coordination with the Department of Field Support, should make appropriate prior period adjustments to account for funds that were used from the peacekeeping budget instead of the MINURCAT Trust Fund.	Financial	High	O	Confirmation by OPPBA and DFS on completion of appropriate prior period adjustments	Not provided
4	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) roles and	Governance	High	O	Receipt of documents indicating implementation of the recommended actions	December 2011

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
	responsibilities between the Controller, DFS and missions for trust funds pertaining to field missions; (b) ensure that that the terms of reference for trust funds reflect the clarified roles and responsibilities; and (c) implement adequate monitoring for compliance with the policy provisions.					

1. C = closed, O = open

2. Date provided by [client] in response to recommendations. [Insert “Not provided” where date is not provided; “Implemented” where recommendation is closed; (date) given by the client.]

ANNEX 2

*Use this page if the orientation of Annex 2 is portrait. If the orientation is landscape, insert a section break at the end of Annex 1 and continue on the new page. (On the **Insert** menu, point to **Break**, select **Next page** under **Section break types**.) Leave the page blank if not required; do not delete it.*