



INTERNAL AUDIT DIVISION

REPORT 2015/031

Audit of the administrative support arrangements between the International Criminal Tribunal for Rwanda and the Mechanism for International Criminal Tribunals, Arusha Branch

Overall results relating to the administrative support arrangements were initially assessed as unsatisfactory. Implementation of two important recommendations remains in progress.

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

24 April 2015
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CONTENTS

	<i>Page</i>
I. BACKGROUND	1
II. OBJECTIVE AND SCOPE	2
III. AUDIT RESULTS	2-3
A. Coordinated management mechanisms	3
B. Regulatory framework	4-7
IV. ACKNOWLEDGEMENT	7
ANNEX I Status of audit recommendations	
APPENDIX I Management response	

AUDIT REPORT

Audit of the administrative support arrangements between the International Criminal Tribunal for Rwanda and the Mechanism for International Criminal Tribunals, Arusha Branch

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the administrative support arrangements between the International Criminal Tribunal for Rwanda (ICTR) and the Mechanism for International Criminal Tribunals (MICT), Arusha Branch.
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.
3. ICTR was established pursuant to Security Council resolution 955 (1994) to prosecute persons responsible for genocide and other serious violations of international humanitarian law committed in the territory of Rwanda, and Rwandan citizens responsible for genocide and other such violations committed in the territory of neighbouring states, between 1 January 1994 and 31 December 1994. Subsequent resolutions of the Security Council extended the ICTR mandate to complete all its remaining work no later than 31 December 2014 and ensure a smooth transition to MICT.
4. Security Council resolution 1966 (2010) established MICT with two branches, which commenced functioning on 1 July 2012 (Arusha Branch) and 1 July 2013 (The Hague Branch), to carry out residual functions of ICTR and the International Criminal Tribunal for the former Yugoslavia (ICTY). MICT is distinct from the two Tribunals and funded through a separate assessment, which requires it to maintain separate accounting records.
5. During the biennium 2012-2013 and 2014-2015, ICTR co-existed with MICT and through its Registry in Arusha provided administrative support services to the MICT Arusha Branch. This arrangement was in accordance with the double-hatting concept whereby MICT staff members may also be staff members of ICTY or ICTR, and were expected to work closely and share common costs wherever feasible. Administrative services provided by ICTR included services relating to information and communications technology, budget and finance, procurement, human resources, medical services, security and safety, building management, travel and shipping, and inventory management. In January 2014, MICT decided to centralize budget and finance, procurement and human resources functions in The Hague, while the remaining administrative services continued to be provided by ICTR until MICT established a fully independent administration.
6. The overall budget for ICTR and MICT for the biennium 2012-2013 amounted to \$188 million and \$54.8 million respectively, and for the biennium 2014-2015 it amounted to \$95 million and \$120 million respectively.
7. Comments provided by ICTR and MICT are incorporated in *italics*.

II. OBJECTIVE AND SCOPE

8. The audit was conducted to assess the adequacy and effectiveness of the ICTR and MICT governance, risk management and control processes in providing reasonable assurance regarding **efficiency and effectiveness of the administrative support arrangements between ICTR and MICT**.

9. The audit was included in the 2014 internal audit work plan based on a risk assessment which identified high operational and compliance risks in the administrative support arrangements between ICTR and MICT.

10. The key controls tested for the audit were: (a) coordinated management mechanisms; and (b) regulatory framework. For the purpose of this audit, OIOS defined these key controls as follows:

(a) **Coordinated management mechanisms** - controls that provide reasonable assurance that potential overlaps in administrative functions or delivery of services are mitigated, and that issues affecting ICTR and MICT are identified, discussed and resolved in a timely manner.

(b) **Regulatory framework** - controls that provide reasonable assurance that policies and procedures: (i) exist to guide the efficient and effective provision of administrative support; (ii) are implemented consistently; and (iii) ensure the reliability and integrity of financial and operational information.

11. The key control(s) were assessed for the control objectives shown in Table 1. Certain control objectives (shown in Table 1 as “Not assessed”) were not relevant to the scope defined for this audit.

12. OIOS conducted this audit from 25 August to 26 September 2014. The audit covered the period from 1 July 2012 to 31 July 2014.

13. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

III. AUDIT RESULTS

14. The ICTR and MICT governance, risk management and control processes examined were initially assessed as **unsatisfactory**¹ in providing reasonable assurance regarding the **efficiency and effectiveness of the administrative support arrangements between ICTR and MICT**. OIOS made five recommendations to address issues identified in the audit. Coordinated management mechanisms were assessed as satisfactory because the Joint Coordinating Council (Joint COCO) held meetings and provided policy directions as required, while operational managers held regular meetings and consultations concerning administrative matters. Regulatory framework was assessed as unsatisfactory because MICT was sending payment instructions to ICTR without the appropriate delegation of authority from the Controller. Also, there was a need to: (a) strengthen the payment process to minimize delays in payment of invoices and staff claims; (b) strengthen the payment process to prevent duplicate or

¹ A rating of “**unsatisfactory**” means that one or more critical and/or pervasive important deficiencies exist in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

fraudulent payments; and (c) strengthen internal controls over inter-office receivables and payables to ensure timely settlement of outstanding balances.

15. The initial overall rating was based on the assessment of key controls presented in Table 1 below. The final overall rating is **partially satisfactory**² as implementation of two important recommendations remains in progress.

Table 1: Assessment of key controls

Business objective	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Efficiency and effectiveness of the administrative support arrangements between ICTR and MICT	(a) Coordinated management mechanisms	Satisfactory	Satisfactory	Not assessed	Satisfactory
	(b) Regulatory framework	Unsatisfactory	Unsatisfactory	Unsatisfactory	Unsatisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Coordinated management mechanisms

Coordination mechanisms for the administrative support arrangements were satisfactory

16. The mechanism established for coordination at the strategic level between the three principal arms of ICTR and MICT was the Joint COCO composed of the MICT President, ICTR President, ICTR/MICT Prosecutor, ICTY/MICT Registrar, and ICTR Registrar. The Joint COCO was created on an ad hoc basis by ICTR and MICT in order for the Principals to have a forum to discuss important policy matters arising from time to time during the transition from ICTR to the Mechanism. The Joint COCO held three meetings between July 2012 and June 2014 to discuss important coordination issues relating to the administrative support arrangements between ICTR and MICT. In addition, the ICTR and MICT/ICTY Registrars held regular meetings to discuss administrative support arrangements, including coordination of budget submissions for 2014-2015. The decisions made by the Principals and Registrars of ICTR, ICTY and MICT were formally communicated to the concerned managers for guidance and implementation.

17. At the operational level, a joint coordination meeting took place in Utrecht (Netherlands) in 2012 involving staff members from each administrative function at the Tribunals and the Mechanism. The meeting reviewed each key function and identified potential risks, challenges and solutions. Further, ICTR and MICT held at least 11 meetings, including video and teleconferences, to discuss and resolve administrative support issues over the period covered by the audit. OIOS therefore concluded that the coordination mechanisms for administrative support were in place and working satisfactorily.

² A rating of “**partially satisfactory**” means that important (but not critical or pervasive) deficiencies exist in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

B. Regulatory framework

Payment instructions were sent without appropriate delegation of authority

18. Standard Operating Procedures (SOP) for the delegation of financial authority dated 1 December 2012 issued by the Assistant Secretary-General, Office of Programme Planning, Budget and Accounts (OPPBA)/Controller (the Controller) states that financial authority is delegated on a personal basis by means of a memorandum, signed by the Controller and the person to whom authority is delegated. The delegation enters into effect upon receipt of confirmation, through the signature, that the authorized official understands, accepts and will abide by the provisions outlined in the memorandum. Subsequently, the Controller issues a consolidated list of officials who are authorized to send telegraph and written payment instructions in their names to other United Nations offices.

19. MICT sent written payment instructions without the appropriate delegation of authority from the Controller. Email exchanges between staff from the Office of the Controller and ICTY on behalf of MICT showed that MICT made a request, through the ICTY Budget and Finance in The Hague, to obtain the Controller's delegation of financial authority for the MICT Registrar to send payment instructions, but the request was not approved. Between January and July 2014, ICTR processed and paid for various goods and services amounting to \$1.6 million on behalf of MICT. OIOS review of 30 items from the list of payments for various goods and services showed that 20 out of the 30 items reviewed were processed and paid based on written payment instructions (financial authorization) signed by the MICT Registrar or the ICTY Deputy Registrar. There was no evidence of formal delegation of authority from the Controller to these officials and their names did not appear in the consolidated list of officials authorized by the Controller to send telegraph and written payment instructions. Further, the Controller's delegation of authority given to certain ICTR staff to approve payments relating to the MICT Arusha Branch was revoked with effect from 1 April 2014 after MICT decided to centralize finance functions at The Hague that were previously provided by ICTR to the MICT Arusha Branch.

20. MICT explained that it was acting under the framework of Security Council resolution 1966 (2010) and the budget approved by the General Assembly, according to which the mandates of MICT, ICTR and ICTY are interlinked, and administrative support to MICT is co-joined and directly provided by ICTR and ICTY. Therefore, requests for services from MICT to the Tribunals are merely internal instructions, and not financial authorizations exchanged between distinct, separate and external entities. Hence, they are not governed by the telegraph and letter payment requests regime. However, MICT stated that it will confirm this understanding with the Controller.

21. Sending payment instructions without the appropriate delegation of authority in place violated the financial regulations, weakened internal control and exposed the Organization to the risk of loss of funds.

(1) ICTR should ensure that only payment instructions sent by staff members with the appropriate delegation of authority from the Controller are acted upon.

ICTR accepted recommendation 1 and stated that the recommendation is fully implemented. All financial authorizations received from MICT are signed by the ICTY Chief Administrative Officer, as per the Controller's authorization dated 13 March 2015. Based on the action taken by ICTR, recommendation 1 has been closed.

(2) The Registrar of MICT should ensure that only officers with the delegation of authority from the Controller issue financial instructions as necessary.

MICT accepted recommendation 2 and stated that the Registrar sought and obtained the extension of the current delegation of authority of the ICTY Chief Administrative Officer to issue financial authorizations for MICT. Further, the SOP governing the use of financial authorizations has been revised to reflect the new delegation of authority. Based on the action taken by MICT, recommendation 2 has been closed.

Efficiency of processing of payments needed to be improved

22. Section 9.36 of the United Nations Procurement Manual provides for payment of goods and services within 30 days upon the vendor's satisfactory completion of its delivery obligations. ICTR and MICT did not establish efficient arrangements to process payments pertaining to the MICT Kigali Office in compliance with the Procurement Manual. There were significant delays in processing payments for services such as rent, security, water, cleaning services, telephone and courier for the MICT Kigali Office. For example, ICTR processed and paid telephone bills for February to May 2014 in July 2014. Similarly, settlement of final travel claims for MICT staff in Arusha and Kigali took between 67 to 87 calendar days in seven out of 60 cases reviewed. Normally, travel claims are processed within two payroll cycles or 60 days after the staff member submits the claim for processing.

23. There were no certifying or approving officers based in Kigali, and since April 2014 there was no MICT approving officer based in Arusha. At the time of audit, 17 out of 19 MICT certifying officers were based in The Hague, and the remaining two were based in Arusha. As a result, Kigali Office invoices were either sent to Arusha or The Hague to be certified and processed for payment. Prior to April 2014, ICTR was processing all MICT Kigali Office payments, but this arrangement was discontinued. Consequently, there were delays in making payments which led to complaints from vendors, thereby increasing the risk of unavailability of essential services and reputational damage to the Organization. MICT explained that it was negotiating a Memorandum of Understanding concerning the provision of certain administrative/financial functions in Kigali by the United Nations Development Programme (UNDP) in Rwanda that would include improved control mechanisms. In the interim, the ICTY Finance Section, which was responsible for finance and budget functions in MICT, was reassessing the arrangements in Kigali to ensure efficiency and effectiveness in the delivery of services.

(3) MICT, in collaboration with ICTR, should review the payment processes in order to minimize delays in payment of invoices and staff claims.

MICT accepted recommendation 3 and stated that it will continue to coordinate with ICTR in this respect. Recommendation 3 remains open pending receipt of evidence showing that the revised processes have minimized delays in payment of invoices and staff claims.

Internal controls over the disbursement process needed to be strengthened

24. According to Financial Rule 105.6, approving officers are responsible for approving payments once they have ensured that they are properly due but this requirement was not always adhered to. ICTR was processing disbursements to some vendors relating to the MICT Kigali Office based on photocopies or invoices received through electronic mail from vendors, but the controls in place were not effective to mitigate duplicate payments as, for example, there were double payments made to vendors in two out of 30 cases reviewed. In one case, ICTR paid MICT Kigali Office fuel charges amounting to Rwandan Francs (RWF) 2,900,000 (approximately \$4,300) on 20 March 2014 based on a photocopied invoice and

again paid for the same service on 3 April 2014 based on the original invoice. In another case, ICTR paid RWF 2,076,000 (approximately \$3,100) for printer cartridges on 28 January 2014 based on a photocopied invoice and again paid for the same service on 20 February 2014 based on the original invoice. Inadequate controls may also lead to loss of funds through inappropriate payments.

(4) ICTR, in collaboration with MICT, should implement effective controls over disbursements to prevent the processing of duplicate or inappropriate transactions.

ICTR accepted recommendation 4 and stated that the recommendation is fully implemented. ICTR is making payments based only on approved financial authorizations from the ICTY Chief Administrative Officer who has delegation of authority for payments relating to MICT. MICT stated that it will continue to collaborate with ICTR in this respect. Based on the action taken by ICTR, recommendation 4 has been closed.

Internal controls over inter-office receivables and payables needed to be strengthened

25. The instructions issued by the Department of Management on 12 December 2013 on closure of accounts stated that a concerted effort must be made to process and settle all inter-office billings between the tribunals and other United Nations offices in a timely manner to ensure that budgetary charges are recorded appropriately in the accounts. These instructions also required the tribunals to reconcile receivable/payable balances with each other.

26. ICTR and MICT did not implement effective controls to ensure that inter-office receivables and payables were monitored and settled in a timely manner. As at 31 July 2014, ICTR accounts indicated \$515,342 as receivable from MICT while MICT accounts indicated \$1,699,304 as payable to ICTR, resulting in a difference of \$1,183,962. These amounts related to expenses paid by ICTR on behalf of MICT for goods and services such as equipment, fuel, utility bills, courier services, residential security for staff, and travel. ICTR explained that the variances were mainly due to differences between the dates when debit notes are raised and the dates on which they were paid. ICTY, on behalf of MICT, conducted a reconciliation exercise during the audit which showed that there were other entries in the ICTR accounts receivable from MICT which contributed to the differences. For example, the difference included \$29,554 which MICT had rejected for reasons such as double billing and incorrect opening balances provided by ICTR.

27. Irregular reconciliations and settlement of outstanding balances between ICTR and MICT may result in errors remaining uncorrected, difficulties in agreeing on the amounts owed, and inappropriate recording of expenditures in the accounts.

(5) ICTR, in coordination with MICT, should ensure that accounts receivables and payables are reconciled on pre-determined periodic basis and promptly settled.

ICTR accepted recommendation 5 and stated that analyses have been done on a monthly basis and are up to date. Some work remains to reconcile with MICT figures. MICT stated that it will continue to coordinate with ICTR in this respect. Recommendation 5 remains open pending receipt of evidence showing that accounts receivables and payables are regularly reconciled and promptly settled between ICTR and MICT.

Arrangements for payroll processing were generally satisfactory

28. Prior to January 2014, both ICTR and MICT Arusha international staff payrolls were processed at United Nations Headquarters in New York. The local salary portion for staff from both entities were processed by ICTR after receiving monthly payment orders from Headquarters, which were electronically uploaded into the ICTR payroll system.

29. From January 2014, MICT centralized the payroll processing for all MICT international staff in The Hague. Consequently, ICTR received monthly payment orders for the local salary portion of MICT Arusha staff from the payroll unit of ICTY in order to deduct local expenses such as telephone bills, staff association contributions, and recreational facility charges. MICT explained that prior to transfer of payroll functions to The Hague, payroll for MICT staff was processed in four different locations: Arusha, Kigali, The Hague and New York. The current consolidation increased efficiency by reducing the number of locations processing payroll services for MICT. OIOS concluded that the arrangements for processing the payroll pertaining to MICT Arusha staff were generally satisfactory.

IV. ACKNOWLEDGEMENT

30. OIOS wishes to express its appreciation to the Management and staff of ICTR and MICT for the assistance and cooperation extended to the auditors during this assignment.

(Signed) David Kanja
Assistant Secretary-General for Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of the administrative support arrangements between the International Criminal Tribunal for Rwanda and the Mechanism for International Criminal Tribunals, Arusha Branch

Recom. no.	Recommendation	Critical ³ / Important ⁴	C/ O ⁵	Actions needed to close recommendation	Implementation date ⁶
1	ICTR should ensure that only payment instructions sent by staff members with the appropriate delegation of authority from the Controller are acted upon.	Critical	C	Action completed.	Implemented
2	The Registrar of MICT should ensure that only officers with the delegation of authority from the Controller issue financial instructions as necessary.	Critical	C	Action completed.	Implemented
3	MICT, in collaboration with ICTR, should review the payment processes in order to minimize delays in payment of invoices and staff claims.	Important	O	Evidence showing that the revised processes have minimized delays in payment of invoices and staff claims.	1 July 2015
4	ICTR, in collaboration with MICT, should implement effective controls over disbursements to prevent the processing of duplicate or inappropriate transactions.	Important	C	Action completed.	Implemented
5	ICTR, in coordination with MICT, should ensure that accounts receivables and payables are reconciled on pre-determined periodic basis and promptly settled.	Important	O	Evidence showing that accounts receivables and payables are regularly reconciled and promptly settled between ICTR and MICT.	30 June 2015

³ Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

⁴ Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

⁵ C = closed, O = open

⁶ Date provided by ICTR and MICT in response to recommendations.

APPENDIX I

Management Response

Management Response

Audit of the administrative support arrangements between the International Criminal Tribunal for Rwanda and the Mechanism for International Criminal Tribunals, Arusha Branch

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	ICTR should ensure that only payment instructions sent by staff members with the appropriate delegation of authority from the Controller are acted upon.	Critical	n/a	ICTR	Completed	(ICTR to provide)
2	The Registrar of MICT should ensure that only officers with the delegation of authority from the Controller issue financial instructions as necessary.	Critical	Yes	MICT Registrar	Completed	<p>MICT accepts recommendation 2 and will ensure that only officers with the appropriate delegation of authority from the Controller issue financial instructions. In compliance with this recommendation, the MICT Registrar sought and obtained the extension of the current Delegation of Authority of the ICTY CAO to financial authorizations for the MICT. Further, the SOP governing the use of financial authorizations has been revised to reflect the new Delegation of Authority.</p> <p>In light of: 1) the received Delegation of Authority and revised SOP; 2) the prior existence of an effective interim procedure endorsed by the Controller's Office, whereby the MICT Registrar was given the authority to commit MICT funds pending the development of the MICT administrative capacity; 3) the inclusion, in the interim procedure, of a</p>

¹ Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

² Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Management Response

Audit of the administrative support arrangements between the International Criminal Tribunal for Rwanda and the Mechanism for International Criminal Tribunals, Arusha Branch

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						strong system of review and control, through the approval by both Certifying as well as Programme Officials; and 4) the fact that the interim procedure not only did not jeopardize in any fashion MICT business objectives, but, in fact, promoted the achievement of these objectives, MICT Management seeks to have this observation, and the two related ICTR and MICT recommendations revised to reflect an "important" rating, and should be noted as closed prior to completion of the audit report.
3	MICT, in collaboration with ICTR, should review the payment processes in order to minimize delays in payment of invoices and staff claims.	Important	Yes	MICT Administrative Officer	1 July 2015	MICT will continue to coordinate with the ICTR in this respect.
4	ICTR, in collaboration with MICT, should implement effective controls over disbursements to prevent the processing of duplicate or inappropriate transactions.	Important	Yes	ICTR	(ICTR to provide)	MICT will continue to collaborate with the ICTR in this respect.
5	ICTR, in coordination with MICT, should ensure that accounts receivables and payables are reconciled on pre-determined periodic basis and promptly settled.	Important	Yes	ICTR	(ICTR to provide)	MICT will continue to coordinate with the ICTR in this respect.

Management Response

Audit of the administrative support arrangements between the International Criminal Tribunal for Rwanda and the Mechanism for International Criminal Tribunals, Arusha Branch

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	ICTR should ensure that only payment instructions sent by staff members with the appropriate delegation of authority from the Controller are acted upon.	Critical	YES	Chief, Budget and Finance Section	13 March 2015	Recommendation fully implemented. All FA's received from MICT are signed by the ICTY Chief Administrative Officer as per the Controller's authorization.
2	The Registrar of MICT should ensure that only officers with the delegation of authority from the Controller issue financial instructions as necessary.	Critical				MICT to respond
3	MICT, in collaboration with ICTR, should review the payment processes in order to minimize delays in payment of invoices and staff claims.	Important				MICT to respond
4	ICTR, in collaboration with MICT, should implement effective controls over disbursements to prevent the processing of duplicate or inappropriate transactions.	Important	YES	Chief, Budget and Finance Section	13 March 2015	Recommendation is fully implemented. Since 13 March 2015 ICTR is making payments based only on approved financial authorizations from the ICTY Chief Administrative Officer who has delegation of authority for payments for MICT.
5	ICTR, in coordination with MICT, should ensure that accounts receivables and	Important	YES	Chief, Budget and Finance	30 June 2015	Analyses have been done on a monthly basis and are up to date.

¹ Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

² Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Management Response

Audit of the administrative support arrangements between the International Criminal Tribunal for Rwanda and the Mechanism for International Criminal Tribunals, Arusha Branch

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	payables are reconciled on pre-determined periodic basis and promptly settled.			Section		Some work remains to reconcile with MICT figures.