



INTERNAL AUDIT DIVISION

REPORT 2016/022

Audit of the management of the trust fund in support of the Office of the President of the General Assembly

Overall results relating to the effective management of the trust fund were initially assessed as partially satisfactory. Implementation of two important recommendations remains in progress.

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

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AUDIT REPORT

Audit of the management of the trust fund in support of the Office of the President of the General Assembly

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the management of the trust fund in support of the Office of the President of the General Assembly (OPGA).
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. In 2010, the Secretary-General established the trust fund in support of OPGA in order to provide financial support to OPGA through voluntary contributions from Member States, intergovernmental organizations, national institutions and non-governmental organizations, amongst others. Initially named as the “Trust fund in support of General Assembly and Conference Management”, it was subsequently renamed as “Trust fund in support of OPGA” in March 2010 and the terms of reference (TOR) for the fund were revised accordingly.
4. Table 1 shows the total income and expenditure of the trust fund during the biennia 2012-2013 and 2014-2015.

Table 1: Trust fund in support of OPGA: Income and expenditure (Amounts in thousands of \$)

Particulars	2012-2013 biennium	2014-2015 biennium (up to 31 October 2015)	Total (1 January 2012 to 31 October 2015)
Income	483	199	682
Expenditure	365	213	578
Surplus	118	(14)	104
Add: Surplus/Unspent balance at the beginning of the year	53	171	53
Total Surplus/Unspent balance	171	157	157

5. OIOS conducted the present review of the operations of the trust fund in support of OPGA in the context of the Secretary-General’s request for an audit of issues concerning the recent allegations and media reports relating to the President of the sixty-eighth session of the General Assembly, and the relationship of the United Nations with certain external parties.
6. Comments provided by the Executive Office of the Secretary-General (EOSG) are incorporated in *italics*.

II. OBJECTIVE AND SCOPE

7. The audit was conducted to assess the adequacy and effectiveness of the United Nations Secretariat’s governance, risk management, and control processes in providing reasonable assurance regarding **effective management of the trust fund in support of OPGA**.

8. This audit was included in the 2015 risk-based work plan of OIOS due to the high risk that: (a) potential weaknesses in management of the trust fund could diminish its relevance and eventually defeat its purpose; and (b) any lack of transparency in the utilization and reporting of funds mobilized for OPGA could potentially have an adverse impact on donor confidence and the reputation of the United Nations.

9. The key control tested for the audit was regulatory framework. For the purpose of this audit, OIOS defined regulatory framework as controls that provide reasonable assurance that policies and procedures: (i) exist to manage the operations of the trust fund; (ii) are implemented effectively; and (iii) ensure the reliability and integrity of financial and operational information.

10. The key control was assessed for the control objectives shown in Table 2.

11. OIOS conducted the audit from 5 November to 31 December 2015. The audit covered the operations of the trust fund in support of OPGA relating to the period 1 January 2012 to 31 October 2015. The audit sought to determine whether incomes and expenditures relating to the trust fund were accounted for in accordance with applicable United Nations regulations, rules, policies and procedures.

12. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key control in mitigating the 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

13. The United Nations Secretariat's governance, risk management and control processes examined were initially assessed as **partially satisfactory**¹ in providing reasonable assurance regarding **effective management of the trust fund in support of OPGA**. OIOS made two recommendations to address the issues identified in the audit.

14. The expenditure of \$0.57 million charged to the trust fund in support of OPGA during the period 1 January 2012 to 31 October 2015 was generally incurred in accordance with United Nations Financial Regulations and Rules. However, there was a need to strengthen coordination between the Department for General Assembly and Conference Management (DGACM) and OPGA so that the Department could provide more effective support to OPGA. There was also a need to enhance transparency and reporting of contributions received by OPGA that were not deposited into the trust fund which had been specifically established in 2010 to receive such contributions in support of OPGA.

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

¹ 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.

Table 2: Assessment of key control

Business objective	Key control	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of the trust fund in support of OPGA	Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

Regulatory framework

Need to strengthen coordination between DGACM and OPGA

16. According to the Secretary-General’s Bulletin ST/SGB/2005/9 on the organization of DGACM, the department “plays a proactive and facilitating role in enhancing the effectiveness and efficiency of the total process of intergovernmental activities by providing technical secretariat services and substantive support to the General Assembly”, among others. According to the TOR of the trust fund, the designated implementing office was DGACM; the Under-Secretary-General for General Assembly and Conference Management was the fund’s programme manager; and the Executive Officer of DGACM was the fund’s certifying officer. The programme manager was responsible for ensuring that the fund is utilized for the intended purpose, which was to provide financial support to OPGA.

17. In actual practice, however, DGACM was not involved in determining the resource requirements for OPGA and in the fundraising activities undertaken by OPGA to generate voluntary contributions. Therefore, DGACM had no records relating to the resource requirements of OPGA and the fundraising activities undertaken by OPGA. During the present audit, in December 2015, OIOS was provided documents (see Table 3) relating to fundraising activities of the sixty-eighth President of the General Assembly (PGA), which the Executive Office of DGACM had informally received from OPGA.

Table 3: Documents relating to fundraising activities initiated by the sixty-eighth PGA

Date	Description
30 September 2013	Letter from the PGA addressed to the Permanent Representative of Algeria, acknowledging receipt of a contribution (amount unknown).
2 October 2013	Letter from the Permanent Representative of China communicating China’s decision to contribute \$300,000 to the trust fund in support of OPGA.
28 October 2013	Letter from the Permanent Representative of Qatar stating that Qatar has agreed to support the trust fund with a contribution in the amount of \$100,000.
5 December 2013	Letter from the Permanent Representative of Malaysia stating that Malaysia has decided to contribute \$100,000 to the trust fund.
23 December 2013	Letters from the PGA addressed to the Permanent Representatives of 19 Member States and the European Union, soliciting voluntary contributions in support of OPGA. In these

	letters, the bank account for remittance of contribution(s) was the official bank account for the trust fund opened by the Controller.
18 June 2014	Letter from the PGA addressed to the Secretary of State for External Relations of the Republic of Angola, thanking him for the commitment of the Government of Angola to make a contribution to OPGA (amount unknown). This letter provided details of a bank account which was different from the official bank account opened by the Controller.

18. The above letters were not copied to DGACM and/or the Controller, and there was no evidence that the funds referred to in the above documents were raised/deposited in the trust fund in support of OPGA. Additionally, according to documentation provided to OIOS by a Member State, the estimated resource requirements sought to be raised by the sixty-eighth PGA through voluntary contributions were in the amount of \$4.4 million.

19. DGACM indicated that for the sixty-seventh, sixty-eighth and sixty-ninth PGA, funding of \$300,400, \$314,800 and \$311,700 respectively towards non-post costs were available under the Regular Budget, besides four senior-level posts and one General Service post. The extent of additional funding (beyond these resources from the Regular Budget) depended on the activities planned by each PGA for his/her presidency period, which were entirely at the discretion of the PGA in office. Since OPGA is an independent office of the legislature, it was up to that office to decide the level of resources that needed to be mobilized through voluntary contributions during the tenure of each PGA.

20. The Chef de Cabinet of the current (seventieth) PGA stated that the team members of OPGA (which included four senior staff members hired on fixed-term appointments of one year against posts funded from the Regular Budget) changed every year with a change in PGA. These team members did not have detailed knowledge about United Nations policies and procedures. DGACM stated that it routinely briefs incoming OPGA teams on administrative aspects, including the trust fund.

21. The Chef de Cabinet of the current PGA further explained that there was no established practice of archiving the documents of each PGA. As a result, there was lack of institutional memory (within OPGA as well as DGACM) relating to the resource requirements and fundraising activities of previous PGAs. The lack of systematic archiving of OPGA records and their accessibility to subsequent PGAs would also seem evident from the documentation received by OIOS from a Member State who had made a contribution of \$0.7 million in response to the request of the sixty-eighth PGA. This contribution was deposited into an account which was not the official bank account opened by the Controller for the trust fund in support of OPGA. The documentation provided by this Member State showed that when it recently contacted the then Chef de Cabinet of the sixty-eighth PGA (who is now a senior staff member in the current PGA's team) to obtain utilization reports for its contribution of \$0.7 million in terms of the agreement it had signed with the sixty-eighth PGA, the senior staff member replied by saying that she did not have access to the books and records to respond to the request.

22. OIOS is of the opinion that since DGACM has a "proactive and facilitating role in enhancing the effectiveness and efficiency" of intergovernmental activities including those of the General Assembly, of which OPGA is part, DGACM needs to do more to bridge the knowledge gap and strengthen coordination with OPGA so that it can provide more effective support to OPGA. The consequence of this lack of coordination was that OPGA did not benefit from the expertise of DGACM on United Nations regulations, rules and administrative processes, and DGACM had no idea of the resource requirements and fundraising activities of OPGA even though it had the responsibility to be proactive and facilitate enhancing the efficiency and effectiveness of OPGA.

(1) The Secretary-General should advise DGACM to reassess how it can strengthen coordination with OPGA and take necessary measures accordingly.

EOSG accepted recommendation 1 and stated that DGACM will continue to work with OPGA to strengthen coordination on aspects relating to resource management. On the transfer of substantive knowledge and handover of information, DGACM will create Standard Operating Procedures as part of the induction for new PGAs and their teams. A more detailed formal one-day induction presentation and formal package of documentation could be developed based on what already exists and would be very informative and useful to the incoming PGA and his/her team. Recommendation 1 remains open pending receipt of evidence of the steps taken to strengthen coordination between DGACM and OPGA.

Voluntary contributions received from Member States were not deposited in the trust fund

23. In a previous report (AH2009/550/01 dated 13 August 2010) on an audit of the support provided to OPGA, OIOS had stated: "Some PGAs had supplemented their office's budgetary appropriations via direct agreements with Member States. However, the PGAs are under no obligation to report such supplementary funds. The lack of transparency concerning such funds may pose a reputational risk to the Organization". The report further stated: "Under existing procedures, the full extent of supplementary funding obtained by OPGA through bilateral agreements with Member States or by other means is not disclosed, thereby creating funding duplication and reputation risks for the Organization".

24. The purpose of establishing the trust fund was to provide financial support to OPGA through voluntary contributions by Member States, intergovernmental organizations, national institutions and non-governmental organizations, amongst others. The General Assembly, in its resolution 64/301 dated 14 October 2010, welcomed the establishment of the trust fund in support of OPGA and invited Member States to contribute to the fund. Transparency in incomes and expenditures of trust funds is assured by the fact that United Nations Financial Regulations and Rules require that all trust funds are audited and reported upon to the General Assembly.

25. During the present audit, OIOS received documents from a Member State which indicated that voluntary contributions in a total amount of \$1.3 million from three Member States had not been deposited in the trust fund in support of OPGA. Instead, they appeared to have been deposited in a separate bank account at the request of the PGA of the sixty-eighth session, who had written to several Member States requesting their financial support for OPGA. As explained earlier, this Member State was not successful in obtaining utilization reports relating to its own contribution of \$0.7 million, which appeared to confirm the lack of transparency and the absence of a reporting mechanism to the General Assembly on the funds received by OPGA through bilateral agreements with Member States and other donors.

26. The current PGA (seventieth session) had posted a detailed information note on the official website of OPGA explaining the various funding sources of OPGA and also providing Member States and other donors the details of the official bank account of the trust fund into which voluntary contributions could be deposited. This initiative facilitated transparency by requesting Member States to contribute to the trust fund in support of OPGA in accordance with General Assembly resolution 64/301, which would ensure that the income and expenditure relating to the trust fund are reported to the General Assembly, as required by the United Nations Financial Regulations and Rules. But unless this good practice is institutionalized by the General Assembly to ensure the reporting of income and expenditure of all funds received for OPGA (both in the trust fund as well as in any other bank accounts opened by a PGA), the wide discretion enjoyed by PGAs in this matter may lead to divergent practices depending on the PGA in office.

(2) The Secretary-General should propose appropriate measures for consideration by the General Assembly to enhance transparency in receiving and reporting of voluntary contributions pertaining to OPGA.

EOSG accepted recommendation 2 and stated that the Secretary-General has taken steps to inform the PGA of his views on possible measures to enhance transparency in the receipt and reporting of voluntary contributions to OPGA, and to request the President to circulate his views to Member States for their consideration. Recommendation 2 remains open pending receipt of documentation showing the action taken for its implementation.

Expenditures incurred from the trust fund were generally in accordance with applicable regulations and rules

27. As required by the TOR, DGACM prepared cost plans and submitted them to OPPBA for allotment under various expenditure heads. DGACM incurred expenditures within the allotments approved by OPPBA. The expenditures of \$0.57 million incurred from the trust fund during January 2012 to October 2015 were generally in compliance with the United Nations Financial Regulations and Rules as well as applicable policies and procedures.

Reserve/charges applicable for the trust fund were reduced by OPPBA

28. Section 18 of the TOR for the trust fund required that the cost plan must include: a provision of 13 per cent of the total annual expenditures towards programme support costs; and an operational reserve at the rate of 15 per cent. In addition, a provision of one per cent of the remuneration or net salary of individuals paid through the trust fund was to be made towards staff compensation claims under Appendix D of United Nations Staff Rules.

29. Thus, the total overhead, reserve and provision could add up to 29 per cent of the expenditure, which not only reduced the net income available for spending but also possibly acted as a disincentive for donors to make voluntary contributions into the trust fund.

30. To mitigate this situation, OPPBA at the request of OPGA used to waive the 15 per cent operational reserve requirement for the trust fund on a case-to-case basis. On 4 February 2013, OPPBA approved a blanket waiver of the 15 per cent operational reserve for the voluntary cash contributions to the trust fund, as long as the activities funded by the trust fund did not involve the engagement of subcontractors or other third party partners, or hiring of personnel. Also, at the request of OPGA, on 17 November 2015, OPPBA reduced the overhead (programme support cost) rate for the trust fund from 13 per cent to 7 per cent.

31. OIOS considers these to be positive steps, particularly since the expenditures related to the trust fund were mainly towards travel and other administrative expenses. These reductions in reserve and overhead charges should potentially encourage donors to contribute to the trust fund.

Unspent contributions remained unutilized for many years

32. Contributions recorded in the trust fund could be earmarked for a specific project or period, and any unspent balance could be utilized during the subsequent period(s) or for other projects, with the approval of the donor.

33. The financial statement for the trust fund as of 31 October 2015 indicated a cumulative unspent balance of \$157,219. Table 4 shows the unspent balances carried forward from 2010 and 2011.

Table 4: Unspent balances (amounts in \$)

Project number	Donor	Purpose	Balance as of 31 December 2011	Balance as of 31 October 2015
GA02	Government of Norway	Thematic debate on Disarmament (19 April 2010)	37,761	38,495
GA03	Government of Algeria and Egypt	Thematic debate on Peacekeeping (22 June 2010)	2,968	3,025
GA04	Government of Korea	Support of OPGA on Human Resources during the sixty-fifth session of the General Assembly	1,519	1,549
GA05	Government of Italy	Support of OPGA on Human Resources during the sixty-fifth session of the General Assembly	7,331	7,474
GA06	Government of Slovenia	Support of OPGA on Human Resources during the sixty-fifth session of the General Assembly	2,467	2,515
		Total	52,046	53,058

34. These balances remained unutilized because the required consent of donors had not been obtained to use them for other OPGA projects during subsequent periods. *EOSG stated that in 2012, and again in January and March 2015, DGACM had sought the agreement of donors for the use of unspent funds in subsequent sessions. Donors would again be approached in 2016 seeking consent for use of current unspent funds. Further, DGACM is currently consulting with OPPBA on an amendment to the TOR of the trust fund to make clear to donors that unspent funds would be automatically rolled over to future sessions unless the donor agreement specified otherwise.* In view of the actions already initiated by DGACM, OIOS did not make a recommendation on this issue.

IV. ACKNOWLEDGEMENT

35. OIOS wishes to express its appreciation to the Management and staff of EOSG, DGACM and OPPBA for the assistance and cooperation extended to the auditors during this assignment.

(Signed) Eleanor T. Burns
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Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of the management of the trust fund in support of the Office of the President of the General Assembly

Recom. no.	Recommendation	Critical ² / Important ³	C/ O ⁴	Actions needed to close recommendation	Implementation date ⁵
1	The Secretary-General should advise DGACM to reassess how it can strengthen coordination with OPGA and take necessary measures accordingly.	Important	O	Receipt of evidence of the steps taken to strengthen coordination between DGACM and OPGA.	31 August 2016
2	The Secretary-General should propose appropriate measures for consideration by the General Assembly to enhance transparency in receiving and reporting of voluntary contributions pertaining to OPGA.	Important	O	Receipt of documentation showing the action taken to implement the recommendation.	30 April 2016

² Critical recommendations address critical and/or pervasive deficiencies 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.

³ Important recommendations address important (but not critical or pervasive) deficiencies 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.

⁴ C = closed, O = open

⁵ Date provided by EOSG in response to recommendations.

APPENDIX I

Management Response

Management Response

Audit of the management of the trust fund in support of the Office of the President of the General Assembly

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The Secretary-General should advise DGACM to reassess how it can strengthen coordination with OPGA and take necessary measures accordingly.	Important	Yes	DGACM	(1) 30 April 2016 (2) 31 August 2016	(1) EO/DGACM will continue to work with the OPGA to strengthen coordination on aspects relating to resource management. (2) As per the recommendation focussing on the transfer of substantive knowledge and handover of information, DGACM will create Standard Operating Procedures as part of the induction for new PGAs and their teams. Currently, GAEAD/DGACM and the EO/DGACM conduct briefings to the incoming team and provide copies of instructions, policies, forms and guidelines before they take up office. However, a more detailed formal one-day induction presentation and formal package of documentation could be developed based on what already exists and would be very informative and useful to the incoming PGA and his/her team.
2	The Secretary-General should propose appropriate measures for consideration by the General Assembly to enhance	Important	Yes	Chef de Cabinet	30 April 2016	The Secretary-General has taken steps to inform the President of the General Assembly of his views on possible

¹ Critical recommendations address critical and/or pervasive deficiencies 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.

² Important recommendations address important (but not critical or pervasive) deficiencies 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.

Management Response

Audit of the management of the trust fund in support of the Office of the President of the General Assembly

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	transparency in receiving and reporting of voluntary contributions pertaining to OPGA.					measures to enhance transparency in the receipt and reporting of voluntary contributions to the Office of the President of the General Assembly, and to request the President to circulate his views to Member States for their consideration.