INTERNAL AUDIT DIVISION

REPORT 2017/040

Audit of the effectiveness of liquidation activities at the International Criminal Tribunal for Rwanda

There were significant lessons to be learned from weaknesses in planning, budgeting and management of the Tribunal's liquidation phase

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Audit of the effectiveness of liquidation activities at the International Criminal Tribunal for Rwanda

EXECUTIVE SUMMARY

The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over the effectiveness of liquidation activities at the International Criminal Tribunal for Rwanda (ICTR). The audit was performed at the request of the General Assembly (resolution 71/267 dated 23 December 2016) and covered the activities undertaken during the liquidation period up to 31 July 2016 and post-liquidation activities up to 31 January 2017. The audit covered the risks relating to ICTR liquidation including: planning and budgeting, finance and accounts, security arrangements, and closure/handover of operational sites.

There were significant lessons to be learned from weaknesses in planning, budgeting and management of the Tribunal's liquidation phase. These included the need for: (i) clear policy guidance on liquidation; (ii) review and monitoring of liquidation plans; (iii) accurate budgeting of staff entitlements; and (iv) effective oversight from Headquarters on liquidation activities including the use of delegated authority. Additionally, the Mechanism for International Criminal Tribunals (MICT) needed to expedite the relocation of ICTR archives from the rented building at the Arusha International Conference Centre and complete the handover of the rented premises.

OIOS made two recommendations. To address the issues identified in the audit:

- The Department of Management needed to document the lessons learned from the ICTR liquidation to improve planning of future liquidations of tribunals and similar operations. Specifically, the lessons learned should establish the responsibilities for: (i) clear policy guidance on liquidation; (ii) review and monitoring of liquidation plans; (iii) accurate budgeting of staff entitlements; and (iv) effective oversight from Headquarters on liquidation activities including the use of delegated authority.

- MICT should: (i) expedite the correction of defects at the new facility of the Mechanism Archives and Records Section at Lakilaki to enable relocation of ICTR archives from the rented premises at the Arusha International Conference Centre and handover of the rented premises; and (ii) ensure that ICTR signage at the former premises is decommissioned.

The Department of Management accepted the recommendation and is in the process of implementing it. MICT did not accept part (i) of the recommendation addressed to it. OIOS maintains that this recommendation relates to significant residual risk that needs to be mitigated. Therefore, while this unaccepted recommendation has been closed without implementation based on MICT's response, OIOS will report this matter to the General Assembly in the context of its next annual report.

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I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the effectiveness of liquidation activities at the International Criminal Tribunal for Rwanda (ICTR).

2. ICTR was established by Security Council resolution 955 (1994) of 8 November 1994 for the prosecution of 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 and 31 December 1994. Security Council resolution 1966 (2010) established the Mechanism for International Criminal Tribunals (MICT) with two branches (Arusha and The Hague) to carry out residual functions of ICTR and the International Criminal Tribunal for the former Yugoslavia (ICTY), respectively.

3. Starting in 2013 and in accordance with its completion strategy, ICTR commenced the liquidation of all its assets either by transferring them to the MICT Arusha Branch or by disposing of them through sale or donation to local institutions. This continued through the 2014-2015 biennium as well as during the liquidation period from 1 January to 31 May 2016, which was later extended by two months up to 31 July 2016. Thereafter, all pending tasks were taken over by MICT and United Nations Headquarters.

4. The Office of the ICTR Liquidation Coordinator was responsible for overall coordination of liquidation and administrative activities and to oversee the work of all the liquidation clusters (i.e., budget and finance, human resources, general services, and information and communications technology services). It was also responsible for implementing administrative procedures and guidelines to ensure compliance with applicable regulations and rules. The liquidation team comprised of the Liquidation Coordinator at the D-1 level assisted by 6 professional and 38 support staff. The number of positions reduced to 29 for the month of April 2016 and 17 for May 2016. In total, 175 work-months were budgeted for completing the liquidation of ICTR. However, the liquidation process experienced delays which necessitated a two-month extension up to 31 July 2016 (additional 23 work months), thereby increasing the budget to a total of 198 work months.

5. The General Assembly appropriated to the special account for ICTR a total amount of $2,086,100 for liquidation activities during the biennium 2016-2017. The activities undertaken during the liquidation period included:

- (i) disposal of assets;
- (ii) repatriation of personnel;
- (iii) processing of final entitlements of staff;
- (iv) settlement of liabilities and recovery of receivables;
- (v) preparation of the 2015 financial statements;
- (vi) support to the Board of Auditors; and
- (vii) repair and handover of the rented premises at the Arusha International Conference Centre.

6. The final expenditures relating to liquidation activities of ICTR for the biennium 2016-2017 amounted to $5,812,800 gross ($5,444,800 net), reflecting an increase of $3,726,700 gross ($3,466,000 net) over the approved appropriation as shown in Table 1.

Table 1: ICTR final expenditures (in $000s)

Description of item	2016 appropriation	Increase/ decrease	Projected final expenditure
Object of expenditure			
Other staff costs	1,479.9	3,304.4	4,784.3
Travel of staff	28.4	13.8	42.2
Contractual services	95.9	(3.7)	92.2
General operating expenses	353.0	172.9	525.9
Supplies and materials	18.8	(18.6)	0.2
Furniture and equipment	2.8	(2.8)	0.0
Staff assessment	107.3	260.7	368.0
Total expenditure (gross)	**2,086.1**	**3,726.7**	**5,812.8**
Income			
Staff assessment	107.3	260.7	368.0
Total requirements (net)	**1,978.8**	**3,466.0**	**5,444.8**

Source: A/71/671 - Final performance report on the budget of ICTR for the biennium 2016-2017

7. The increase reflects higher staff costs for approximately 61 former ICTR staff who had separated by 31 December 2015. Their education grant claims for the 2015/2016 school year and separation entitlements in excess of the provision for separations established at the end of 2015 were charged to the 2016 appropriation. The increase was also due to: (i) increased salary costs as a result of extending the liquidation period by two months up to 31 July 2016; and (ii) an increase in non-staff expenditures relating mainly to the write-off of non-recoverable receivables. Income from staff assessment for the 2016-2017 biennium amounted to $368,000, reflecting an increase of $260,700.

8. The General Assembly approved the transfer of the final expenditure of $3,726,700 gross ($3,466,000 net) and any further expenditures relating to ICTR under the 2016-2017 budget to MICT, which would be reported in the second performance report of MICT.

9. Comments provided by the Department of Management (DM) and MICT are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

10. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over the effectiveness of liquidation activities at ICTR.

11. The audit was performed at the request of the General Assembly in its resolution 71/267 dated 23 December 2016.

12. OIOS conducted this audit in February and March 2017. The audit covered the activities undertaken during the liquidation period up to 31 July 2016 and post-liquidation activities up to 31 January 2017. Based on an activity-level risk assessment, the audit covered the risks relating to ICTR liquidation including: planning and budgeting, finance and accounts, security arrangements, and closure/handover of operational sites.

13. The audit methodology included: (a) interviews with key personnel; (b) review of relevant documentation; (c) analytical review of data; (d) testing of transactions selected on the basis of random and stratified sampling; and (e) re-performance of selected computations.

III. OVERALL CONCLUSION

14. There were significant lessons to be learned from weaknesses in planning, budgeting and management of the Tribunal's liquidation phase. These included the need for: (i) clear policy guidance on liquidation; (ii) review and monitoring of liquidation plans; (iii) accurate budgeting of staff entitlements; and (iv) effective oversight from Headquarters on liquidation activities including the use of delegated authority. Additionally, MICT needed to expedite the relocation of ICTR archives from the rented building at the Arusha International Conference Centre and complete the handover of the rented premises.

IV. AUDIT RESULTS

A. Liquidation planning

Lack of clarity on policy guidance for the Tribunal's liquidation activities

15. The DFS Liquidation Manual dated 1 June 2013 provides guidance for liquidation of peacekeeping operations and missions. While this manual was not specifically made applicable to non-peacekeeping entities/offices such as ICTR, the basic principles and practices outlined in the manual could be adapted for liquidation of non-peacekeeping entities/offices. In the absence of a manual for non-peacekeeping liquidating entities, ICTR used the DFS Liquidation Manual as the basis for planning and implementing its liquidation as advised by its former Registrar. However, there was no evidence that ICTR was required to comply with the provisions of the manual; nor were any separate guidelines issued by United Nations Headquarters to assist the ICTR Liquidation Team in planning and implementing the Tribunal's liquidation. The deficiencies noted in the present report primarily stemmed from inadequacies in liquidation planning and implementation by the ICTR Liquidation Team, which is mainly attributable to the lack of clear policy guidance to assist them in managing the processes efficiently and effectively. As a lesson learned for the future, DM needs to ensure that clear guidance is provided for liquidation of non-peacekeeping missions/offices which do not normally fall within the purview of the DFS Liquidation Manual.

Planning for liquidation activities was inadequate

(a) Inadequate pre-liquidation visits

16. The DFS Liquidation Manual requires pre-liquidation visits to support an entity during its transition to the liquidation phase. For ICTR, the United Nations Global Service Centre conducted a pre-liquidation assistance visit between 27 and 30 April 2015 covering aspects of finance, logistics and human resources. However, this visit did not involve experts in various aspects of liquidation such as planners and budget officers. DM confirmed that it did not send any of its staff to ICTR on a pre-liquidation visit.

17. The pre-liquidation assistance team from the United Nations Global Service Centre anticipated challenges in transferring residual activities to MICT and recommended that ICTR establishes its own mechanisms including the budget to cater for these activities. ICTR did not fully implement the

recommendations and there was no oversight mechanism to follow up on the observations made by the pre-liquidation assistance team to ensure that they were effectively addressed.

(b) Liquidation plan for ICTR was not reviewed and approved

18. The DFS Liquidation Manual requires the preparation of a liquidation plan that: (a) identifies all outstanding or unfinished administrative tasks such as claims cases, boards of inquiry cases, property survey actions, vendor payments, personnel actions, and outstanding obligations; and (b) quantifies those tasks and schedules their completion in order of priority.

19. ICTR prepared a draft liquidation plan but there was no evidence that the Liquidation Coordinator submitted the plan to DM for review and approval. Similarly, there was no evidence that DM requested the submission of the liquidation plan for review and approval. The ICTR liquidation plan had a number of deficiencies which resulted in non-completion of tasks by the target date of 31 May 2016, requiring an extension of two months entailing additional expenditure. Further, as of 31 July 2016, a number of tasks were still pending, such as: (i) cleansing of data in the area of human resources, finance, and property management; (ii) changes to the asset disposal plan which were yet to be ratified; (iii) compilation of handover files relating to After-Service Health Insurance coverage and Medical Insurance Plan; and (iv) outstanding accounts receivable and payable which were yet to be cleared. As a lesson learned for the future, DM needs to ensure that liquidation plans for entities under its responsibility are appropriately reviewed and monitored to ensure efficient closure of such entities.

ICTR budgeting processes were inadequate

20. ICTR was responsible for preparing its budgets in accordance with the instructions issued by the Office of Programme Planning, Budget and Accounts (OPPBA). The budget for ICTR (document A/70/448 dated 28 October 2015) contained resource requirements amounting to $2,376,900 net ($2,503,800 gross) before re-costing for the five-month liquidation period from 1 January to 31 May 2016. This budget was formulated to cover the expenditures relating to proposed staffing levels based on the anticipated workload, with a progressive reduction towards the end date of 31 May 2016. Other items in the budget included rental of office premises and other administrative costs such as office expenses, cleaning and security services.

21. ICTR made a provision of $3,200,000 in the 2015 budget towards separation entitlements for staff who separated by 31 December 2015, i.e., before commencement of the liquidation period. This provision turned out to be insufficient to fully cover the claims processed during 2016. There was no provision in the 2016 budget for education grant expenses of the separated staff.

22. The anticipated workload for the liquidation phase included: (i) the disposal of assets; (ii) repatriation of staff members and their families; (iii) processing of staff members' final entitlements; (iv) settlement of liabilities and recovery of receivables; (v) preparation of the final budget performance report; (vi) provision of support to the Board of Auditors for audit of the Tribunal's operations for the biennium 2014-2015; (vii) dismantling of the temporary structures; and (viii) repair and handover of the rented premises to the Arusha International Conference Centre. Furthermore, during the liquidation period, it was necessary to ensure adequate security for ICTR assets, premises and personnel.

23. Although repatriation of staff members and their dependents and processing of their final entitlements were identified as critical liquidation activities, they were not adequately budgeted for.

Separation costs for staff alone charged to the 2016 budget[1] were $5,221,859 which related to 2014 and 2015. Education grant expenses relating to ICTR staff members who separated by 31 December 2015 were also charged to the 2016 budget, whereas they ought to have been charged to the 2015 budget. This was also the case for the 2015 portion of education grant expenses totaling $809,766 relating to staff members of the liquidation team, which were charged to the 2016 budget.

24. Table 2 below summarizes ICTR expenditures that were not budgeted for.

Table 2: ICTR expenditures that were not budgeted for

Expenditure item	Amount ($)
Total for international staff relating to 2015	4,731,836
Total for local staff relating to 2015	490,023
Education grant for 2015 paid in 2016	809,766
Liquidation team extension by two months	373,900
General extension by 1 month for all liquidation team members because they could not meet the milestones	298,014
Receivables write-offs	362,469
Grand total - prior year expenses plus 2016 variation	**7,066,008**
Less provisions made for separation costs for prior years	(3,200,000)
Total under-provision	**3,866,008**

Notes: The analysis above does not include cost savings achieved in the 2016 budget in the amount of $25,100 relating to non-staff costs.
The figures shown in Table 2 are provisional pending reconciliation by OPPBA.

25. OPPBA stated that the programme budget for ICTR liquidation was prepared in accordance with the 2016-2017 budget instructions for the tribunals, which set out the steps and procedures involved in the budgeting process. Further, during the budget process, the planning assumptions used by ICTR were based on historical data and past experience which turned out to be simplistic and less accurate considering the outcome reflected in the final performance report. Specifically, the Secretariat realized in July 2016 when uploading SUN disbursements into Umoja that: (i) provisions made in 2015 for staff separation and other entitlements in the 2016 liquidation budget were insufficient to cover the actual claims processed in 2016, which resulted in over-expenditures against the 2016 liquidation budget; and (ii) no provision had been made for education grant expenses relating to the 2015-2016 school year.

26. OPPBA stated that ICTR accounts were maintained in two separate systems (SUN system and Umoja), and reconciliations were not done at that time since the two systems were not interfaced. Payroll and entitlements for internationally recruited staff members were the only transactions processed in Umoja whereas the remaining transactions for local expenses were recorded in the SUN system. ICTR provided monthly statements of accounts for the local expenses extracted from the SUN system to OPPBA which did not indicate any over-expenditure against the liquidation budget. It was only on 10 May 2016 that OPPBA alerted the ICTR Liquidation Coordinator of the over-expenditure as of 30 April 2016 and the projected over-expenditure up to 31 May 2016. The 2016 ICTR accounts had recorded over-expenditures resulting from insufficient provision for separation costs and lack of provision for education grant entitlements.

27. OIOS concluded that the over-expenditures were a result of inadequate budget provision for prior period expenditures (up to 31 December 2015) rather than overpayments during the liquidation period.

[1] This is the total for 2015 staff costs charged to the 2016 budget that was obtained from Umoja and SUN systems pending final reconciliation by OPPBA.

The ICTR Liquidation Coordinator failed to monitor the expenditures recorded in the two accounting systems (SUN and Umoja). OPPBA nevertheless acknowledged the lessons learned from the ICTR liquidation process and stated that it plans to take steps in the context of the liquidation of other similar operations, such as the liquidation of ICTY, to issue budget guidance that seeks more detailed costing assumptions, possibly at individual post level, and sufficient fund commitments for anticipated entitlements.

Inadequate administrative oversight over liquidation activities

28. ICTR was established by the Security Council. There was no Secretariat department or office that was designated to provide overall administrative oversight over ICTR or the tribunals, unlike peacekeeping operations which report to and receive administrative support from DFS. ICTR and other tribunals receive delegation of authority for human resources, procurement and some financial authority from the DM. Therefore, OIOS is of the view that DM should be the department at Headquarters that provides administrative oversight over the tribunals and monitors their administrative activities.

29. For the initial liquidation period ending 31 May 2016, the ICTR Liquidation Coordinator provided only one update to the Controller on 10 May 2016 that covered the status of the liquidation including progress made, challenges faced and the remaining tasks to be completed. The status report was provided in the context of ICTR's request for an extension of the liquidation period from 31 May to 30 June 2016. The Liquidation Coordinator also held discussions with the Controller in April and May 2016 to identify funding sources to support the identified spill-over and residual activities. However, the status update was too late to enable prompt remedial measures to ensure timely completion of ICTR's liquidation activities. The second update provided on 17 June 2016 was also made in the context of a request for further extension of the liquidation period up to 31 July 2016.

30. Effective administrative oversight over the liquidation processes could have provided an opportunity for early identification of challenges and institution of remedial measures to address them. As a lesson learned for the future, DM needs to ensure that arrangements for administrative oversight from Headquarters are identified well in advance and are adequately coordinated among the various offices within DM (i.e., OPPBA, the Office of Human Resources Management and the Office of Central Support Services).

Accountability and oversight mechanisms over delegated authority were inadequate

31. Prior to the commencement of the liquidation planning, the ICTR Registrar had delegation of authority for administrative and human resources management with a complete accountability framework. With the planned departure of the Registrar towards the end of the ICTR mandate and prior to commencement of the liquidation activities, the Registrar on 26 November 2015 requested the Under-Secretary-General for Management that the authority in the area of administration (specifically human resources matters) be delegated to the ICTR Liquidation Coordinator. Prior to liquidation, the Liquidation Coordinator, in her capacity as ICTR Chief of Administrative Support Services, had delegated authority for financial and administrative matters which she continued to exercise during the liquidation period.

32. On 5 April 2016, the Under-Secretary-General for Management retroactively delegated authority for human resources management to the Liquidation Coordinator to take effect from 1 January 2016, three months into the liquidation period and approximately two months before the end of the initial liquidation period (31 May 2016). As a result, ICTR had operated without the required delegation of authority to carry out human resources functions during the first three months of the liquidation.

33. While DM had delegated authority to the Liquidation Coordinator for administrative activities, there was no evidence of effective accountability and monitoring mechanisms put in place to monitor the exercise of such delegated authority. Oversight mechanisms could have included requiring the Liquidation Coordinator to provide periodic progress reports. For example, under DFS, the liquidating entity is required to submit weekly progress reports to the delegating entity/office which are used for monitoring purposes. This requirement was not established in the case of ICTR where, as stated earlier, the two progress reports prepared by the Liquidation Coordinator were much too late, that too in the context of requests for extension of the liquidation period entailing additional costs.

(1) DM should document the lessons learned from the ICTR liquidation to improve planning of future liquidations of tribunals and similar operations. Specifically, the lessons learned should establish the responsibilities for: (i) clear policy guidance on liquidation; (ii) review and monitoring of liquidation plans; (iii) accurate budgeting of staff entitlements; and (iv) effective oversight from Headquarters on liquidation activities including the use of delegated authority.

DM accepted recommendation 1 and stated that it will circulate a summary of the findings that resulted from this audit and the main issues to be considered in a liquidation process. This will allow the concerned departments to draw on lessons learned for future reference. Recommendation 1 remains open pending receipt of evidence that the lessons learned from the ICTR liquidation have been documented, specifically establishing the responsibilities for: (i) clear policy guidance on liquidation; (ii) review and monitoring of liquidation plans; (iii) accurate budgeting of staff entitlements; and (iv) effective oversight from Headquarters on liquidation activities including the use of delegated authority.

B. Liquidation activities

Receivables and payables were not cleared by ICTR as required

34. In the OIOS report on an audit of liquidation activities at ICTR (Report 2016/072 dated 27 June 2016), OIOS had recommended that the ICTR Liquidation Coordinator: review and liquidate obligations no longer required and prepare properly documented obligations for handover to MICT. OIOS also recommended that the Liquidation Coordinator expedite the settlement of outstanding accounts receivable and payable and seek the Controller's approval for write-off of unrecoverable amounts, wherever justified. ICTR did not complete the tasks of clearing its accounts receivable and payable at the time of its closure on 31 July 2016. Consequently, outstanding receivables and payables had to be taken over by MICT in August 2016.

35. As of 31 December 2016, the accounts receivable extracted from the SUN system and uploaded to Umoja for recovery or settlement amounted to $581,687. Of this, $227,273 related to receivables from other United Nations offices (i.e., the United Nations Development Programme Headquarters: $143,333; ICTY $5,944; and MICT $77,997). As of 24 February 2017, MICT had collected most of the ICTR accounts receivable and the balance outstanding was $137,617 ($127,618 towards Inter-Office Vouchers and $9,834 representing other receivables).

36. MICT provided a list of 2016 receivables written off in the amount of $362,469. The bulk of the write-off related to value-added tax (VAT) claims of $206,451 and excise duty of $61,046 owed by the Tax Revenue Authority (TRA) of the Government of Tanzania which ICTR did not claim previously. Other amounts listed in the 2016 receivables write-off included: (i) $7,404 from active staff members for which there were inadequate supporting documents for the amounts owed; (ii) $13,268 from two other

United Nations offices; and (iii) $74,300 from former ICTR staff which was not recoverable due to the age of the debt and lack of supporting documents. Between July and December 2016, the Controller approved the write-off of individual amounts of less than $500 owed by former staff members, receivables from TRA and other receivables where the administrative burden of attempting their recovery outweighed the benefits.

37. As of 31 December 2016, ICTR accounts payable extracted from the SUN system and uploaded to Umoja or credited to miscellaneous income were $51,599 and $17,982 respectively. MICT stated that the latter were credited to miscellaneous income because there were no documents to support a settlement. As of 24 February 2017, the accounts payable balance yet to be cleared by MICT was $1,433.

38. Inadequate oversight on accounts receivable and payable resulted in several write-offs and credits to miscellaneous income. For example, TRA requires VAT and excise duty tax to be claimed within a period of six months from the date incurred, but this was not done by ICTR. MICT could not initiate the claims because they were time barred. ICTR also did not conduct aging of accounts receivable and payable to clear old items. Some of the receivables and payables recorded in the SUN system dated back to 2011 and there were no supporting documents to clear them during the liquidation period.

39. OIOS recognizes that MICT had made progress in clearing ICTR accounts receivable and payable. Further, OPPBA stated that beginning the second half of 2016, monitoring controls over outstanding receivable and payable balances were enhanced using the accounts dashboard in Umoja, where long outstanding balances are identified and reviewed on a monthly basis. In view of MICT's efforts to clear the accounts receivable and payable and the monitoring initiatives taken by OPPBA, OIOS did not make a recommendation on this matter.

Official handover to MICT was not properly documented

40. MICT and the ICTR liquidation team conducted a 100 per cent physical verification of all remaining assets to give MICT priority to identify items for its use before the remaining assets were disposed of. MICT had selected items such as motor vehicles, closed circuit television units, security, and courtroom related assets for its use. On 31 March 2016, the ICTR Liquidation Coordinator officially handed over motor vehicles to the Registrar of MICT. Besides that, there was no other evidence of acknowledgement of official handover of the remaining assets to MICT. MICT also did not provide any evidence of receipt of the assets. A final list of items transferred to MICT in September 2016 was circulated through email and assumed to be the official handover. The MICT Head of Office at Arusha Branch indicated that transfer of assets from ICTR to MICT was documented both within Galileo and through memos. However, there was no consolidated report for official handover at the end of the liquidation period.

41. In a memorandum dated 29 July 2016, OPPBA requested the Liquidation Coordinator to complete the handover of financial records and a liquidation handover timetable. Whereas DM stated that the memorandum was sent out on Friday, 29 July 2016, it seemed that the Liquidation Coordinator did not take any action on the request because she had already checked out by the time the memorandum was received. Even though the memorandum of 29 July 2016 made reference to an earlier request to the Liquidation Coordinator for the same actions, the related document was not traceable.

Relocation of ICTR archives was not complete

42. According to Article 27 of its statute, MICT has the responsibility for preservation, management and access of the archives of ICTR. These archives document investigations, indictments, court

proceedings, and other documents and audio-visual materials which are the property of the United Nations and must be preserved in accordance with international standards.

43. At the time of audit (22 February 2017), ICTR records were under the custody of the Mechanism Archives and Records Section (MARS) in Arusha and were still preserved in the building originally rented by ICTR at the Arusha International Conference Centre (AICC). The permanent preservation and storage facility for ICTR records was identified as the MARS Archives Repository at Lakilaki (in the new office facility in Arusha) but this facility was not deemed fit for the purpose due to design and structural inadequacies. The facility did not meet the required standards for temperature, relative humidity and air quality. Although it had fire detection and safety systems in place, it was deemed to be of a lower standard compared to the rented premises at AICC. Therefore, to prevent deterioration, the records would only be transferred to Lakilaki after these defects were addressed. As a result, MICT continued to incur monthly rental and service costs of $22,878 at the AICC building for storage of ICTR records.

44. OIOS also noted that as of 28 February 2017, ICTR signage at the AICC building had not been decommissioned even though ICTR had ceased to exist seven months ago. The presence of the signage may create a misleading impression to the public that ICTR still exists.

(2) MICT should: (i) expedite the correction of defects at the new facility of the Mechanism Archives and Records Section at Lakilaki to enable relocation of ICTR archives from the rented premises at the Arusha International Conference Centre and handover of the rented premises; and (ii) ensure that ICTR signage at the former premises is decommissioned.

MICT accepted part (ii) of recommendation 2 and stated that it has decommissioned the signage at the former premises. However, MICT did not accept part (i) of recommendation 2 stating that it considers, substantively, to have no impact on the ICTR liquidation, and, procedurally, to be outside of the scope of this audit. The transfer of the archives of ICTR which includes approximately 1,950 linear meters of physical records and over one petabyte of digital records to MICT was fully completed in 2016. Upon transfer, MICT became solely responsible for the preservation of and access to the records under its custody. It is for MICT to determine the conditions and location for their storage. Therefore, the repository in which MICT stores the records under its custody does not impact the ICTR liquidation and is outside the scope of this audit. This is particularly the case, as the repositories, in which the records are currently housed pending transfer to longer-term accommodation, are: (i) managed and allow for preservation according to international archival standards; and (ii) not rented by ICTR but by MICT, and consequently, the handover of these premises is under the purview of MICT, not ICTR's. Additionally, MICT considers a recommendation which calls for the implementation of activities legitimately included in the ongoing MICT construction project's defect liability phase as out of scope in the audit of ICTR liquidation. These defects were noted after the completion of the field work of the most recent OIOS audit [Report No. 2017/019] on the construction of this facility.

[redacted]

[redacted] Therefore, while this unaccepted recommendation has been closed without implementation based on MICT's response, OIOS will report this matter to the General Assembly in the context of its next annual report.

2016 pension schedules were completed and submitted to the United Nations Joint Staff Pension Fund

45. According to the draft ICTR Liquidation Plan, pension schedules were to be completed, reconciled and matched with the amounts recorded in the accounts. ICTR submitted monthly pension schedules for the period 1 January to 31 July 2016 through inter-office vouchers, and MICT completed the 2016 annual schedules to the United Nations Joint Staff Pension Fund on 8 February 2017 as required.

ICTR local bank accounts, petty cash and imprest accounts were closed

46. According to the DFS Liquidation Manual, all local bank accounts were required to be reconciled before liquidation, and approval from the Treasurer's Office has to be obtained to close those bank accounts after all the cheques from the local accounts were cleared. Similarly, all imprest and petty cash accounts operated by self-accounting units needed to be reconciled and closed.

47. During its life, ICTR operated five local bank accounts in Arusha and Kigali, and one international bank account at United Nations Headquarters in New York. By July 2016, ICTR had requested the Treasurer for closure of all five local bank accounts. The Treasurer instructed the respective banks to close the accounts on 1 August 2016 and transfer the bank balances to the Organization's bank account in New York. ICTR provided evidence of destruction of cheques through incineration and returned all unused cheques to the banks prior to account closure.

48. Also, ICTR kept two petty cash accounts open during the liquidation period to provide necessary support for building maintenance and asset disposal. As of 31 July 2016, all the petty cash accounts had been closed. ICTR did not operate an imprest account during the liquidation period.

ICTR vendor accounts were terminated

49. According to the DFS Liquidation Manual, all local contractors/vendors were required to be paid in full prior to closure of the liquidating entity. Termination notices should be issued to all contractors/vendors requesting them to submit any pending invoices for settlement.

50. As of 31 December 2015, ICTR had 13 active contracts. On 30 November 2015, ICTR issued final termination notices to all its contractors/vendors to end all contracts by 31 December 2015 and made necessary succession arrangements with MICT. Accordingly, and as a temporary measure, ICTR had amended 12 out of 13 contracts to formally introduce MICT to the vendors as the successor of ICTR, whereas one contract was allowed to expire. This interim measure was taken pending initiation of MICT's own arrangements with new vendors. During the liquidation period up to 31 July 2016, ICTR relied on the transferred contracts to conduct its liquidation activities.

Liaison with the host country on matters concerning liquidation was adequate

51. The DFS Liquidation Manual requires the liquidating entity to notify the host country through the Minister of Foreign Affairs of its closing, and that the liquidation team would continue to enjoy the same privileges and immunities that were enjoyed by ICTR staff up to 31 December 2015. ICTR sent a note verbale dated 14 January 2016 regarding its closure to the Ministry of Foreign Affairs, Republic of Tanzania, which retroactively covered the liquidation period starting 1 January 2016.

52. A new headquarters agreement was signed on 26 November 2013 between the host country and MICT. This agreement terminated the previous one signed in 1995 between the United Nations and the United Republic of Tanzania concerning the headquarters of ICTR. However, provision was made in the new agreement signed for ICTR staff to continue enjoying the same privileges and immunities up to the end of the liquidation period. OIOS therefore concluded that ICTR had adequately liaised with the host country during the liquidation period.

V. ACKNOWLEDGEMENT

53. OIOS wishes to express its appreciation to the management and staff of MICT, ICTY and DM for the assistance and cooperation extended to the auditors during this assignment.

(*Signed*) Eleanor T. Burns
Director, Internal Audit Division
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of the effectiveness of liquidation activities at the International Criminal Tribunal for Rwanda

Rec. no.	Recommendation	Critical[2]/ Important[3]	C/ O[4]	Actions needed to close recommendation	Implementation date[5]
1	DM should document the lessons learned from the ICTR liquidation to improve planning of future liquidations of tribunals and similar operations. Specifically, the lessons learned should establish the responsibilities for: (i) clear policy guidance on liquidation; (ii) review and monitoring of liquidation plans; (iii) accurate budgeting of staff entitlements; and (iv) effective oversight from Headquarters on liquidation activities including the use of delegated authority.	Important	O	Receipt of evidence that the lessons learned from the ICTR liquidation have been documented, specifically establishing the responsibilities for: (i) clear policy guidance on liquidation; (ii) review and monitoring of liquidation plans; (iii) accurate budgeting of staff entitlements; and (iv) effective oversight from Headquarters on liquidation activities including the use of delegated authority.	30 June 2018
2	MICT should: (i) expedite the correction of defects at the new facility of the Mechanism Archives and Records Section at Lakilaki to enable relocation of ICTR archives from the rented premises at the Arusha International Conference Centre and handover of the rented premises; and (ii) ensure that ICTR signage at the former premises is decommissioned.	Important	C	Part (ii) of this recommendation was accepted and implemented. MICT did not accept part (i). This unaccepted recommendation has been closed without implementation based on MICT's response. OIOS will report this matter to the General Assembly in the context of its next annual report.	Not applicable

[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 DM in response to the recommendation.

APPENDIX I

Management Response

OUSG/DM
Out:12May2017
DM-2017-01445

United Nations — Nations Unies

INTEROFFICE MEMORANDUM — MEMORANDUM INTERIEUR

TO: A:	Mr. Gurpur Kumar, Deputy Director Internal Audit Division, Office of Internal Oversight Services	DATE:	12 May 2017
THROUGH: S/C DE:	Christian Saunders, Director Office of the Under-Secretary-General for Management		
FROM: DE:	Mario Baez, Chief, Policy and Oversight Coordination Service Office of the Under-Secretary-General for Management		
SUBJECT: OBJET:	**Draft report on an audit of the effectiveness of liquidation activities at the International Criminal Tribunal for Rwanda (Assignment No. AA2017/261/05)**		

1. We refer to your memorandum dated 9 May 2017 regarding the above-subject draft report and provide you with comments of the Department of Management (DM) in the attached Appendix I.

2. Thank you for giving us the opportunity to provide comments on the draft report.

APPENDIX I

Management Response

Audit of the effectiveness of liquidation activities at the International Criminal Tribunal for Rwanda (Assignment No. AA2017/261/05)

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The Department of Management should document the lessons learned from the ICTR liquidation to improve planning of future liquidations of tribunals and similar operations. Specifically, the lessons learned should establish the responsibilities for: (i) clear policy guidance on liquidation; (ii) review and monitoring of liquidation plans; (iii) accurate budgeting of staff entitlements; and (iv) effective oversight from Headquarters on liquidation activities including the use of delegated authority.	Important	Yes	Controller and Under-Secretary-General for Management	30 June 2018	The Department of Management will circulate a summary of the findings that resulted from this audit and the main issues to be considered in a liquidation process. This will allow the concerned departments to draw on lessons learned for future reference.
2	MICT should: (i) expedite the correction of defects at the new facility of the Mechanism Archives and Records Section at Lakilaki to enable relocation of ICTR archives from the rented premises at the Arusha International Conference Centre and handover of the rented premises; and (ii) ensure that ICTR signage at the former premises is decommissioned.	Important				

[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.

APPENDIX I

Management Response

Audit of the effectiveness of liquidation activities at the International Criminal Tribunal for Rwanda

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The Department of Management should document the lessons learned from the ICTR liquidation to improve planning of future liquidations of tribunals and similar operations. Specifically, the lessons learned should establish the responsibilities for: (i) clear policy guidance on liquidation; (ii) review and monitoring of liquidation plans; (iii) accurate budgeting of staff entitlements; and (iv) effective oversight from Headquarters on liquidation activities including the use of delegated authority.	Important				
2	MICT should: (i) expedite the correction of defects at the new facility of the Mechanism Archives and Records Section at Lakilaki to enable relocation of ICTR archives from the rented premises at the Arusha International Conference Centre and handover of the rented premises; and (ii) ensure that ICTR signage at the former premises is decommissioned.	Important	Part (i): NO			MICT does not accept part (i) of the recommendation, which it considers, substantively, to have no impact on the ICTR liquidation, and, procedurally, to be outside of the scope of this audit. The transfer of the archives of the ICTR – which includes approximately 1,950 linear meters of physical records and over one petabyte of digital records – to the MICT was fully completed in 2016. Upon transfer, the MICT became solely responsible for the preservation of and access to the records

[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 effectiveness of liquidation activities at the International Criminal Tribunal for Rwanda

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						under its custody. It is for the MICT to determine the conditions and location for their storage. Therefore, the repository in which the MICT stores the records under its custody does not impact the ICTR liquidation and is outside the scope of this audit. This is particularly the case, as the repositories, in which the records are currently housed pending transfer to longer-term accommodation, are: 1) managed and allow for preservation according to international archival standards; and 2) are not rented by the ICTR, but by the MICT, and consequently, the handover of these premises is under the purview of the MICT, not the ICTR's. Additionally, the MICT considers out of scope in an audit on the ICTR liquidation a recommendation which calls for the implementation of activities legitimately included in the ongoing MICT construction project's defect liability phase. As with any construction project, and in line with industry practice, once the project is considered "substantially completed," there may still be defective and outstanding works. This is why the construction contract contemplates a "defect liability period," a year after the substantial completion, where these issues can be addressed. The defects OIOS noted in the archive facility are therefore being correctly addressed by the contractor as part

Management Response

Audit of the effectiveness of liquidation activities at the International Criminal Tribunal for Rwanda

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						of this phase of the construction project, and do not in any way relate to the liquidation of the ICTR. (These defects were noted when the substantial completion was being reviewed, after the completion of the field work of the most recent OIOS audit on the construction of this facility.)
			Part (ii): YES	Chief Administrative Officer	Implemented	MICT accepted and implemented part (ii) of the recommendation, having decommissioned ICTR signage at the former premises and submitted relevant evidence to this effect. Before and after photographic evidence of this is attached to this response. Accordingly, MICT seeks that this portion of the recommendation be considered closed.