



INTERNAL AUDIT DIVISION

AUDIT REPORT 2013/076

Audit of the quality of reporting to donors on extra budgetary funds in the United Nations Secretariat

Overall results relating to the quality of reporting to donors were initially assessed as partially satisfactory. Implementation of three important recommendations remains in progress.

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

24 September 2013

Assignment No. AG2012/510/01

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AUDIT REPORT

Audit of the quality of reporting to donors on extra budgetary funds in the United Nations Secretariat

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the quality of reporting to donors on extra budgetary funds.
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. The Secretary General's Bulletin on the establishment and management of trust funds (ST/SGB/188) identifies two types of trust funds: general and technical cooperation. General trust funds are established to support activities that are not exclusively of a technical cooperation nature. General trust funds may be used to enhance the Organization's work programme or for humanitarian, relief or emergency situations. They may be of a continuing or long-term nature, with annual programming of resources or may be created for specific purposes or for a shorter term. On the other hand, technical cooperation trust funds refer to those which provide economic and social development assistance to developing countries.
4. As of 31 December 2011, there were 168 trust funds and 12 sub funds. Total income and expenditures for the biennium ended 31 December 2011 were \$2,583 million and \$2,554 million, respectively. The Trust Funds were broken down into Political Affairs, International Justice and Law, Economic and Social Development, Human Rights and Humanitarian Affairs, Public Information, Common Support and Miscellaneous, and the United Nations Office for Partnerships.
5. Comments provided by the Department of Management (DM), the Department of Field Support (DFS), and the Department of Political Affairs (DPA) are incorporated in italics. The Department of Peacekeeping Operations (DPKO) provided comments through DFS.

II. OBJECTIVE AND SCOPE

6. The audit was conducted to assess the adequacy and effectiveness of the Secretariat's governance, risk management and control processes in providing reasonable assurance that **the quality of reporting to donors was consistent with the applicable reporting requirements.**
7. Given the volume and scope of these extra budgetary funds, the reporting to donors timely, reliably and completely is necessary to ensure continued funding for the Organization's activities. The audit was included in the 2012 risk based work plan in view of the risks arising from non compliance with the agreements between the Secretariat and donors. Previous OIOS audits of trust funds had identified deficiencies in timely, reliable and complete reporting to donors.
8. The key controls tested for the audit were: (a) Programme management reporting system; and (b) Regulatory framework. For the purpose of this audit, OIOS defined these key controls as follows:

(a) **Programme management reporting system** - controls that provide reasonable assurance that a system exists to report programme and financial performance in a timely, reliable and complete manner.

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

9. The key controls 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.

10. OIOS conducted the audit from March to December 2012. The audit covered the period from 1 January 2010 to 31 December 2011. 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.

11. Trust funds were funded by one or more donors and included one or more projects. The donor agreements often had different reporting requirements. To test the quality of reporting to donors, OIOS selected projects in four trust funds managed by four departments as follows:

(a) Projects 4366 and 0359, funded by the Trust Fund in Support of Political Affairs (“SZA”) under DPA. SZA had 130 projects totaling about \$27 million as of 31 December 2011. The funding for projects 4366 and 0359 was about \$4.8 million and \$2.7 million, respectively.

(b) Project 4904, funded by the Trust Fund for the Promotion of Social and Economic Development (“ANC”) under DFS. ANC funded one project, which had an allotment of over \$25 million as of 31 December 2011.

(c) Project 0304 funded by the Trust Fund for the Support of the Activities of the United Nations Mission in the Central African Republic and Chad (“CAC”), also under DFS. This project was allotted almost \$10 million as of 31 December 2011. There were 23 projects under DFS totaling over \$80 million as of 31 December 2011.

(d) Projects 0422 and 0348 funded by the Trust Fund in Support of the Department of Peacekeeping Operations (“LLA”) under DPKO with 177 projects totaling about \$21 million as of 31 December 2011. The funding for project 0422 was \$200,000 and for 0348 about \$3.5 million.

III. AUDIT RESULTS

12. The Secretariat’s governance, risk management and control processes examined were assessed as **partially satisfactory** in providing reasonable assurance that the **quality of reporting to donors was consistent with the applicable reporting requirements**. OIOS made five recommendations to address the issues identified in the audit. The periodicity and deadlines for submission of reports to donors were not always specified. In these instances, it was therefore unclear whether the Secretariat was in compliance with the reporting requirements. There were cases of delays in submission of reports to donors, which needed to be addressed to ensure compliance with reporting requirements. Reporting to

donors could be enhanced by specifying the detailed reporting requirements in the donor agreements. In addition, there were two rates for charging the Appendix D costs to trust funds, and the basis for having two rates was unclear. Management has taken action to address these issues.

13. The initial overall rating was based on the assessment of key controls presented in Table 1 below. The final overall rating is **partially satisfactory** as implementation of three 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
To ensure that the quality of reporting to donors is consistent with applicable reporting requirements	(a) Programme management reporting system	Not assessed	Partially satisfactory	Not assessed	Partially satisfactory
	(b) Regulatory framework	Not assessed	Partially satisfactory	Not assessed	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Programme management reporting system

DPA needed to ensure that reporting requirements are clear and are complied with

14. As of 31 December 2011, SZA had 130 projects, of which 91 were active. The 130 projects were funded by various donors with different reporting requirements in the donor agreements. For example, project 0359 had one donor, with no stated reporting requirements, whereas project 4366 had nine donors, of which only three had stated reporting requirements. DPA did not always adhere to the reporting requirements stipulated in donor agreements. Failure to adhere to the requirements agreed to between the UN and the donor increased the risk of a negative impact on future funding, which could adversely affect the implementation of projects and prevent the Organization from fully achieving its objectives.

15. Despite the requirements stated in the three donor agreements for project 4366, DPA noted that only one donor actually requested interim financial statements. The agreement with another donor required financial and substantive reports “due every six months” but did not specify the period by which the report should be submitted, e.g., “immediately”, “within 15 days”, “within 30 days”, after the six month period. To mitigate the risk of non-compliance with reporting requirements, DPA needed to ensure that agreements were clear on reporting deadlines and periodicity.

16. The agreement with a third donor called for submission of a final certified financial statement no later than 90 days after the completion date of the agreement of 31 December 2011. This statement was signed by the Secretariat 62 days past the reporting deadline. DPA stated that the deadlines were quite difficult to meet, particularly when trying to obtain information from field missions. In OIOS’ opinion, DPA should negotiate with donors, where practical, for more flexibility in reporting requirements.

(1) DPA should ensure that donor reporting requirements are clear and that the department complies with the requirements.

DPA accepted recommendation 1 and explained that most agreements have deadlines of at least 6 months after the contribution expires. This was the result of negotiations between UN/DPA and the donors. In some cases, there was only limited time (sometimes only one day) for the UN to review, negotiate and sign the agreements before the closure of the fiscal year. In these cases, DPA and the Controller's Office agree to sign the agreements with close reporting deadlines in order not to lose the funding opportunity. DPA confirmed that the semi-annual reports had since been prepared and shared with the donor, and was therefore in full compliance with the requirements of the agreement. DPA also stated that the final certified financial statement was provided to the donor within the new deadline of 31 May 2012. Based on the actions taken and explanations provided by DPA, recommendation 1 has been closed.

DFS needs to comply with the reporting requirements of the ANC and CAC trust funds

17. DFS did not always comply with the reporting requirements for the ANC and CAC trust funds. The Memorandum of Understanding (MOU) for project 4904 under ANC did not specify the deadlines for periodic reports but did state that the final financial statement was to be submitted within three months of termination of the MOU. The MOU was terminated effective 15 November 2010, although the project was still listed as active on 31 December 2011 in the records provided by DFS. DFS subsequently confirmed that the trust fund had been closed but had not yet received the final report from the programme manager, United Nations Assistance Mission in Afghanistan (UNAMA).

18. The agreements with the various donors on the CAC trust fund included a range of reporting requirements from none to specific. In response to OIOS' request for reports for project 4909, DFS provided detailed annual substantive reports for 2009 and 2010 but not 2011. In addition, the project's relevance to gender, as asked for by one donor in its agreement, was not readily evident from the substantive report. Furthermore, reports requested by certain donors, for example, a substantive report and statement of account showing proof of use of funds, were not available but because no submission deadlines were stipulated in the agreements, it was unclear whether the reports were overdue.

(2) DFS should ensure that donor reporting requirements are clear and that the department complies with the requirements.

DFS stated that recommendation 2 had already been implemented because it reviews donor agreements in conjunction with the Office of Programme Planning, Budget and Accounts (OPPBA) prior to their formalization to ensure reporting complies with relevant United Nations regulations and rules. DFS also clarified that the United Nations was not responsible for issuing any final report to the donor since the United Nations Development Programme's (UNDP) was the project owner and manager. Upon termination of the project, UNAMA submitted the draft final report to UNDP for onward transmission to the donor. The CAC trust fund project 4909 was completed and the final report including the narrative report was issued to the donors. Based on the actions taken and explanations provided by DFS, recommendation 2 has been closed.

B. Regulatory framework

The Secretary-General's Bulletin and related Administrative Instruction on trust funds need revision

19. The Secretary-General's Bulletin, ST/SGB/188, and related Administrative Instructions, ST/AI/284 and ST/AI/285, do not appear to apply to trust funds of peacekeeping operations. Although paragraph 4 (c) of the bulletin states that extra budgetary resources finance peacekeeping operations, paragraph 5 indicates that the bulletin applies only to extra budgetary activities described in paragraph 4 (a) and (b), which do not include peacekeeping operations. The SGB, which was last issued in 1982, noted that most peacekeeping operations were financed from assessed contributions. However, since that time, peacekeeping operations have grown significantly and do receive extra budgetary contributions for trust funds. The DPKO/DFS April 2003 Standard Operating Procedures (SOP) titled "Use of Trust Funds in Peacekeeping Operations" has served as the authoritative guidance for trust funds of peacekeeping missions. The SGB and Administrative Instructions needed to be revised to include peacekeeping operations.

20. ST/SGB/188 states that reports will be made by the implementing office as required and that procedures for such reports, including to donors, are contained in the Administrative Instructions, ST/AI/284 and ST/AI/285, which state that financial statements should be submitted to donors for review and action as required. OPPBA has committed to providing annual financial statements to donors. The Administrative Instructions further state that substantive progress reports should be prepared annually for each trust fund but indicate such reports are to be transmitted to the budget division (OPPBA), with no mention of submitting them to donors.

21. The SOP states that three months after completion of a trust funded project, the Special Representative of the Secretary-General must submit a substantive report directly to the donor with a copy to DPKO. OIOS understands that donors do not always want or request substantive or financial reports. However, while revising and updating the SGB, Administrative Instructions and SOP, donor reporting should be addressed. The current practice of providing annual financial statements to donors should be formalized through inclusion in the SGB, Administrative Instructions and SOP. The Administrative Instructions should be reviewed to determine whether the substantive reports should always be submitted to donors.

(3) DM should revise the 1982 Secretary-General's Bulletin, ST/SGB/188 and related Administrative Instructions, ST/AI/284 and ST/AI/285, on establishing and managing trust funds to: include peacekeeping operations; and update the practices on reporting to donors, where appropriate.

OPPBA/DM accepted recommendation 3 and stated that the revision process is on-going and is made in conjunction with the changes of the United Nations Financial Regulations and Rules and the roll-out of Umoja. Recommendation 3 remains open pending revision of the Secretary-General's Bulletin and the related Administrative Instructions to include peacekeeping operations and inclusion of revision or reflection of current reporting practices, where appropriate.

Different percentages being used towards Appendix D charges

22. Since substantive progress reports are supposed to be prepared annually for each trust fund as per the Administrative Instructions, the substantive reports typically would not be donor specific. Paragraph 48 of ST/SGB/188 states that a reserve is to be established for possible claims under Appendix D of the Staff Rules by charging against the resources of each trust fund a percentage of net base salary of staff

financed from the trust fund or an equivalent amount for those consultants who are covered by Appendix D. Section IV (A 10) of ST/AI/284 states that all trust funds are subject to a charge of 1 per cent of net base salaries and of fees of consultants. ST/AI/285 has similar language. OIOS did not test the reserve's existence or whether expenditures had been charged for the intended purpose because this was outside the scope of the present audit.

23. A review of the percentage charged by DPA and DFS indicated that the departments did not always comply with the Appendix D calculations stipulated in the Administrative Instructions.

24. DFS stated that 0.5 per cent is the "standard application" based on instructions from the Accounts Division/OPPBA, but could not provide the source document supporting this position. DFS confirmed that all international and local staff salaries were charged the same rate of 0.5 per cent, and that consultant travel was included in consultant expenditure and thus charged 0.5 per cent. DFS noted that this percentage was automatically calculated in the ProGen system used in field missions. DFS also stated that international staff salaries were charged and run in the integrated management information system with the same 0.5 per cent.

25. Based on a reading of ST/SGB/188, it appeared that this bulletin and the related Administrative Instructions, did not apply to peacekeeping operations. DFS also stated that it used the April 2003 SOP titled "Use of Trust Funds in Peacekeeping Operations" for guidance instead of ST/SGB/188. While the SOP discussed the establishment of extra budgetary support costs of 13 per cent, it was silent on Appendix D charges.

26. However, while the terms of reference (TOR) for the ANC trust fund under DFS did not indicate a percentage for Appendix D in a letter attached to the TOR and addressed to the Controller, the Director of the Accounts Division, OPPBA noted that there was a provision of a 1 per cent charge of net base pay for Appendix D. This contradicted the 0.5 per cent rate used by DFS. The use of the lower rate would result in an understatement of Appendix D charges to the trust fund.

27. The TOR for the LLA trust fund under DPKO stipulated that the trust fund be administered in accordance with ST/SGB/188 and ST/AI/284. DPKO stated that it charged 1 per cent towards Appendix D.

28. The TOR for the SZA trust fund, under DPA, also referred to ST/SGB/188 and ST/AI/284. DPA initially confirmed that it applied the 1 per cent charge on consultant fees and provided documentation showing that its trust funds were charged this percentage. DPA also provided OIOS instructions entitled "Appendix D Expenditures for Consultants/Local Staff" (rev. Oct 2001). These instructions indicated that for consultants under general trust funds, Appendix D equals 1 per cent of recorded expenditures. DPA also stated that it did not apply Appendix D on consultant travel or on staff salaries. Since ST/SGB/188 states that the net base salary of staff financed from the trust fund should be charged a percentage, salaries should be included in the calculation. Upon further inquiry, DPA stated that it did in fact include salaries but the charge was 0.5 per cent, not 1 per cent. However, DPA explained, as did the other departments, that it does not have any control over the Appendix D calculations or recording of such charges to its trust funds because it does not have the ownership of the Appendix D batch processing.

29. OPPBA explained that there were actually 2 rates: 1 per cent and 0.5 per cent, with the latter rate applied to consultant fees and consultant travel, although the Office did not have any written policy on this. Consultant fees tended to be higher than salaries, hence the lower rate. OPPBA stated that since the application was done automatically in IMIS, it was unclear how there could be discrepancies and would look into this.

(4) OPPBA should ensure compliance with Appendix D by all departments, where applicable, in accordance with the Administrative Instructions ST/AI/284 and ST/AI/285.

OPPBA/DM accepted recommendation 4 and stated that the revision process is ongoing and is made in conjunction with the changes of the United Nations Financial Regulations and Rules and the roll-out of Umoja. Recommendation 4 remains open pending revision of the Administrative Instructions.

The SOP on trust funds in peacekeeping operations was yet to be updated

30. In response to an OIOS audit of MINURCAT (AP2010/636/11 dated 13 June 2011), which identified various internal control deficiencies including non-compliance with donor reporting requirements, the Field Budget and Finance Division (FBFD)/DFS was reviewing its processes. In May 2012, FBFD informed OIOS that it was drafting guidelines for approval by the Controller by end July 2012. As of November 2012, the guidelines were still under preparation. FBFD explained that it was conducting an internal review within DFS to determine where the problems were. As part of this exercise, FBFD proposed to clarify the roles and responsibilities for trust fund management in consultation with the Controller, with the intention of updating the DPKO/DFS April 2003 SOP titled "Use of Trust Funds in Peacekeeping Operations". OIOS also noted that the SOP called for providing substantive reports to donors within three months of project's end; this provision should be reviewed to determine whether this deadline is feasible and whether annual substantive reports actually are or should be provided.

(5) DFS, in consultation with OPPBA, should finalize the guidelines on the roles and responsibilities for trust fund management in the context of updating the standard operating procedures for "Use of Trust Funds in Peacekeeping Operations".

DFS accepted recommendation 5 and stated that this it has completed an internal review of the administration of DFS-managed trust funds. In consultation with the Accounts Division, it is conducting a substantial review of the memoranda of understanding and the terms of reference for these trust funds. Recommendation 5 remains open pending finalization of the guidelines.

IV. ACKNOWLEDGEMENT

31. OIOS wishes to express its appreciation to the Management and staff of DM, DFS, DPA and DPKO and 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 quality of reporting to donors on extra budgetary funds in the United Nations Secretariat

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	DPA should ensure that donor reporting requirements are clear and that the department complies with the requirements.	Important	C	Action completed	Implemented
2	DFS should ensure that donor reporting requirements are clear and that the department complies with the requirements.	Important	C	Action completed	Implemented
3	DM should revise the 1982 Secretary-General's Bulletin, ST/SGB/188, and related Administrative Instructions, St/AI/284 and ST/AI/285, on establishing and managing trust funds to: include peacekeeping operations; and update the practices on reporting to donors, where appropriate.	Important	O	Revision of the Secretary-General's Bulletin and the related Administrative Instructions to include peacekeeping operations and inclusion of revision or reflection of current reporting practices, where appropriate.	30 June 2014
4	OPPBA should ensure compliance with Appendix D by all departments, where applicable, in accordance with the Administrative Instructions ST/AI/284 and ST/AI/285.	Important	O	Revision of the Administrative Instructions.	30 June 2014
5	DFS, in consultation with OPPBA, should finalize the guidelines on the roles and responsibilities for trust fund management in the context of updating the standard operating procedures for "Use of Trust Funds in Peacekeeping Operations".	Important	O	Finalization of guidelines by DFS.	31 March 2014

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.

³ C = closed, O = open

⁴ Date provided by DM/OPPBA or DFS in response to recommendations.

APPENDIX I

Management Response

Department of Management's Response



TO: Ms. Carmen Vierula, Chief
A: New York Audit Service, Internal Audit Division
Office of Internal Oversight Services

DATE: 20 August 2013

THROUGH: Christian Saunders, Director
S/C DE: Office of the Under-Secretary-General for Management

FROM: Mario Baez, Chief, Policy and Oversight Coordination Service
DE: Office of the Under-Secretary-General for Management

SUBJECT: **Draft report on audit of the quality of reporting to donors on extra budgetary funds in the United Nations Secretariat (Assignment No. AG2012/510/01)**
OBJET: **Draft report on audit of the quality of reporting to donors on extra budgetary funds in the United Nations Secretariat (Assignment No. AG2012/510/01)**

1. In response to your memorandum dated 10 July 2013 on the above subject, we are pleased to provide the comments of the Department of Management to recommendations 3 and 4 in the attached Appendix I.
2. Thank you for providing us with the opportunity to comment on the draft report.

13-02120
22 Aug 2013

AUDIT RECOMMENDATIONS

Audit of the quality of reporting to donors on extra budgetary funds in the United Nations Secretariat

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	DPA should ensure that donor reporting requirements are clear and that the department complies with the requirements.	Important				
2	DFS should ensure that donor reporting requirements are clear and that the department complies with the requirements.	Important				
3	DM should revise the 1982 Secretary-General's Bulletin, ST/SGB/188, and related Administrative Instructions, ST/AI/284 and ST/AI/285, on establishing and managing trust funds to: include peacekeeping operations; and update the practices on reporting to donors, where appropriate.	Important	Yes	Deputy Controller	30 June 2014	Revision process is on-going and is made in conjunction with the changes of the United Nations Financial Regulations and Rules and the roll-out of Umoja.
4	OPPBA should ensure compliance with Appendix D by all departments, where applicable, in accordance with the Administrative Instructions ST/AI/284 and ST/AI/285.	Important	Yes	Deputy Controller	30 June 2014	Revision process is on-going and is made in conjunction with the changes of the United Nations Financial Regulations and Rules and the roll-out of Umoja.
5	DFS, in consultation with OPPBA, should finalize the guidelines on the roles and responsibilities for trust fund management in the context of updating the standard operating procedures for "Use of Trust Funds in Peacekeeping Operations".	Important				

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.

Department of Field Support's Response



CONFIDENTIAL

Routine

TO: Mr. Gurpur Kumar, Deputy Director
A: Internal Audit Division,
Office of Internal Oversight Services

DATE: AUG 15 2013

REFERENCE: 2013-UNHQ-015774.01

THROUGH:

S/C DE:

FROM: Anthony Banbury, Assistant Secretary-General
DE: Department of Field Support

A handwritten signature in purple ink, appearing to read 'A. Banbury', written over the printed name of the sender.

SUBJECT: **AG2012/510/01 - Horizontal audit of the quality of reporting to donors**
OBJET: **on extra budgetary funds**

1. I refer to your memorandum dated 10 July 2013, regarding the above-mentioned audit. We note that OIOS has substantially taken into account the comments of DFS provided in March 2013. However, the Department is providing additional comments on the findings and recommendations as attached in Annex I and II respectively.
2. Thank you for the opportunity to comment on the draft report. We stand ready to provide any further information that may be required.

cc: Ms. Anna Halasan

AG2012/510/01 – Horizontal audit of the quality of reporting to donors on extra budgetary funds

Programme management reporting system

Paragraph 20

1. DFS wishes to clarify that the ANC trust fund project number 4904 referred to in the report relates to the provision of aviation support services for the project: “UNDP Enhancing Legal and Electoral Capacity for Tomorrow (ELECT)”. The project was terminated on 15 November 2010 by mutual consent of both parties (the United Nations and UNDP). The Memorandum of Understanding (MOU) clearly states that the United Nation’s involvement was limited to the provision of air services to UNDP on a cost reimbursable basis. Accordingly, the United Nations was not responsible for issuing any final report to the donor since UNDP is the project owner and manager. Upon termination of the project, UNAMA submitted the draft final report to UNDP for onward transmission to the donor. Copies of the MOU and the draft final report were provided to OIOS under a separate cover.

Paragraph 21

2. The CAC trust fund project 4909 was completed and the final report including the narrative report, issued to the donors. With regard to the issue raised in OIOS’ report that gender perspectives were not reflected in the earlier reports submitted to the donors, DFS wishes to clarify that the gender-related activities have been incorporated in paragraph 23 of the final narrative report submitted to the donors. Copies of the donor reports were provided to OIOS under a separate cover.

AUDIT RECOMMENDATIONS

Audit of the quality of reporting to donors on extra budgetary funds in the United Nations Secretariat

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	DPA should ensure that donor reporting requirements are clear and that the department complies with the requirements.	Important	N/A	N/A	N/A	We trust that the Department of Political Affairs will provide its comments on the recommendation
2	DFS should ensure that donor reporting requirements are clear and that the department complies with the requirements.	Important	Yes	N/A	Implemented	The recommendation has been implemented. Please refer to our comments in paragraphs 1 and 2 of Annex I.
3	DM should revise the 1982 Secretary-General's Bulletin, ST/SGB/188, and related Administrative Instructions, St/AI/284 and ST/AI/285, on establishing and managing trust funds to: include peacekeeping operations; and update the practices on reporting to donors, where appropriate.	Important	N/A	N/A	N/A	We trust that the Department of Management will provide its comments on the recommendation.
4	OPPBA should ensure compliance with Appendix D by all departments, where applicable, in accordance with the Administrative Instructions ST/AI/284 and ST/AI/285.	Important	N/A	N/A	N/A	We trust that the Department of Management will provide its comments on the recommendation

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.

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
5	DFS, in consultation with OPPBA, should finalize the guidelines on the roles and responsibilities for trust fund management in the context of updating the standard operating procedures for "Use of Trust Funds in Peacekeeping Operations".	Important	Yes	Director, FBFD, DFS	First quarter of 2014	DFS comments are reflected in the draft report. The Department does not have any further comments.

Department of Political Affairs' Response


United Nations  Nations Unies
INTEROFFICE MEMORANDUM MEMORANDUM INTERIEUR

to: Mr. Gurpur Kumar
A: Deputy Director
Internal Audit Division, OIOS

DATE: 23 September 2013

REFERENCE: DPA/EO/2013/bs/

FROM: Vivian van de Perre, Executive Officer
DE: Department of Political Affairs



SUBJECT: **Draft report on an horizontal audit of the quality of reporting to donors on extra budgetary funds in the United Nations Secretariat**

1. Reference is made to your memorandum dated 19 July 2013 regarding the results of the aforesaid audit.
2. We note that one of the recommendations was issued for DPA and based on actions taken by us, OIOS has already closed this recommendation.
3. DPA has no further comments to the draft report on the audit of the quality of reporting to donors on extra budgetary funds in the United Nations Secretariat.

Thank you.

cc: Mr. Feltman