



INTERNAL AUDIT DIVISION

REPORT 2017/126

Audit of trust fund activities in the
African Union-United Nations Hybrid
Operation in Darfur

The Mission needed to enhance its
supervision of project site inspections and
submit accurate reports to donors

5 December 2017
Assignment No. AP2017/634/05

Audit of trust fund activities in the African Union-United Nations Hybrid Operation in Darfur

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of trust fund activities in the United Nations-African Union Hybrid Operation in Darfur (UNAMID). The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over trust fund activities in UNAMID. The audit covered the period from 1 January 2014 to 31 December 2016 and included: activities funded by donor contributions; cost plans and budget control; monitoring of projects and programmes; donor reporting; and coordination of the solicitation for additional funding.

UNAMID effectively used donor funds on projects and programmes stipulated by the donors, prepared detailed cost plans including provision for programme support costs for all funding requests and prepared handover vouchers for buildings and equipment donated to government ministries and local authorities. However, the Mission needed to enhance its supervision of site inspections to timely address project implementation deficiencies and submit accurate reports on trust funds activities to the donors.

OIOS made two important recommendations. To address issues identified in the audit, UNAMID needed to put in place:

- Adequate supervision to ensure that site inspection reports are enhanced to include deficiencies observed for remedial action; and
- Measures to ensure that reports prepared for submission to donors are adequately reviewed and reconciled with project documents.

UNAMID accepted the recommendations and has implemented corrective actions.

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Audit of trust fund activities in the African Union-United Nations Hybrid Operation in Darfur

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of trust fund activities in the African Union-United Nations Hybrid Operation in Darfur (UNAMID).
2. UNAMID was managing two trust funds, namely: (a) the Joint Mediation Support Team (JMST); and (b) the Lasting Peace in Darfur (LPD). The JMST trust fund was established in October 2007 to finance seminars, workshops and meetings organized jointly by the African Union and the United Nations to re-energize the political process and to mediate and negotiate with the concerned political parties to end the conflict in Darfur. The LPD trust fund was established in June 2008 to promote confidence-building measures including organizing and undertaking projects to facilitate reconciliation and integration such as construction of health centres, schools and accommodation units, and any other activities in support of the Darfur peace process.
3. The JMST and LPD trust funds received contributions amounting to \$4,361,877 from donors and incurred expenditures totaling \$3,776,908. The trust funds donors, receipts and expenditures during the period audited are shown in Table 1.

Table 1
Trust funds receipts and expenditures

	<i>Contributions received</i>	<i>Expenditures</i>
JMST trust fund		
Donor A	\$1 000 000	\$682 895
LPD trust fund		
Donor B	2 983 904	2 716 148
Donor C	377 973	377 865
Total	\$4 361 877	\$3 776 908

4. The trust funds were administered by UNAMID Budget and Finance Section. The Budget and Finance Section had a Chief at P-5 level supported by one P-4 and one national staff responsible for trust funds. The activities of the trust funds were overseen by UNAMID substantive sections. The Protection of Civilians and Civil Affairs sections oversaw the implementation of the Darfur Capacity and Peacebuilding Project (DCPP). The Political Affairs Section oversaw the mediation activities and the Ceasefire Commission oversaw the payment of stipends to representatives of the parties to the conflict in Darfur, who worked in the disarmament, demobilization and reintegration of ex-combatants throughout Darfur.
5. Comments provided by UNAMID are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

6. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over trust fund activities in UNAMID.
7. This audit was included in the 2017 risk-based work plan of OIOS due to the operational and reputational risks related to management of trust funds in UNAMID.

8. OIOS conducted this audit from April to June 2017. The audit covered the period from 1 January 2014 to 31 December 2016. Based on an activity-level risk assessment, the audit covered higher and medium risk areas in the management of trust fund activities in UNAMID, which included: activities funded by donor contributions; cost plans and budget control; monitoring of projects and programmes; donor reporting; and coordination of the solicitation for additional funding.

9. The audit methodology included: (a) interviews of key personnel, (b) reviews of relevant documentation, (c) analytical reviews of data, (d) sample testing of project costs and expenses incurred as follows: \$137,733 out of \$682,895 for mediation activities; \$2,575,292 out of \$2,716,148 for the DCP; and \$377,865 out of \$377,973 for the payment of stipends to representatives of the parties to the conflict in the Ceasefire Commission.

10. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

III. AUDIT RESULTS

A. Use of donor contributions

Trust fund activities complied with donor grant letters

11. The UNAMID terms of reference of the JMST and LPD trust funds require UNAMID to use funds on activities stipulated by donors in the donors' grant letters or memorandum of understanding between the donor and the Mission.

12. OIOS review noted that during the audit period:

- From the JMST trust fund, UNAMID disbursed a total of \$682,895. OIOS reviewed the approved financial requests and supporting documentation for a sample of expenditure totaling \$137,330 and concluded that UNAMID satisfactorily used the funds for the intended purpose to finance mediation meetings, pay salaries and daily subsistence allowances to an individual contractor hired to design proposals for extra-budgetary funding for the JMST. UNAMID also used the funds for training on negotiation skills, ceasefire agreements and security arrangements for Darfur non-signatory movements' members.

- From the LPD trust fund, UNAMID disbursed a total of \$2,716,148. This included three projects to: (a) construct classrooms at two schools, two clinics, two accommodation units and two water yards in East Darfur and classrooms at a school in West Darfur at a cost of \$1,618,497; (b) rehabilitate 100 natural water reservoirs throughout Darfur at cost of \$546,306; and (c) provide equipment, furniture, generators and water pumps to local authorities at a cost of \$410,547. UNAMID also disbursed from this trust fund \$377,865 for the payment of stipends to representatives of the parties to the conflict in Darfur, who are members of the Ceasefire Commission. All expenditures were adequately supported, and construction of the classrooms and clinics was satisfactorily completed. The recipients of stipends were paid for their work relating to the disarmament, demobilization and reintegration of ex-combatants throughout Darfur.

- OIOS reviewed all four quarterly progress reports and the final report prepared jointly by UNAMID Protection of Civilians and Civil Affairs sections, and the financial statements submitted to the Mission by a United Nations entity and the local contractor which showed that donor funds under the LPD trust fund were used for capacity and peacebuilding projects as stipulated by the

donor. OIOS also reviewed the acknowledgement of receipt documents signed and thumb-printed by recipients of stipends.

13. OIOS concluded that UNAMID used donors' funds on activities stipulated in the donors' grant letters or memorandum of understanding between the donors and the Mission

B. Cost plans and budget control

UNAMID prepared and submitted cost plans

14. The Director of Mission Support is required to coordinate and formulate cost plans that consist of a detailed budget and plan of actions developed by substantive sections managing the implementation of the trust fund activities outlining the purpose and distribution of funds, and submit the cost plans to the Controller for approval and release of funds. The terms of reference of the JMST and LPD trust funds stipulates that all cost plans for trust funds should include provision for 13 per cent programme support costs unless otherwise agreed with the Controller.

15. The cost plans were properly prepared and submitted to the Controller as required, and based on this, the Controller duly released the funds. OIOS noted that only the cost plan for activities funded by the JMST trust fund included programme support costs of 13 per cent. This was because: (a) one donor requested a waiver of all programme support costs related to its \$377,973 donation for activities of the Ceasefire Commission; and (b) another donor requested for a reduction in programme support costs from 13 per cent to 10 per cent related to its \$2,983,904 donation for capacity and peacebuilding activities. UNAMID obtained approval from the Controller for these deviations from the standard rate and OIOS verified that these approved rates were applied. The review of actual expenditures against the approved budget showed that UNAMID did not exceed the budgeted expenditures in the cost plans.

16. OIOS concluded that UNAMID prepared cost plans with detailed budgets and plans of action and that programme support costs were properly computed and charged against trust funds.

C. Monitoring and reporting

Supervision of project site inspection needed to be enhanced

17. The Department of Peacekeeping Operations/Department of Field Support (DPKO/DFS) standard operating procedures on the use of trust funds in peacekeeping operations require site inspections of projects to be conducted and progress reports to be prepared.

18. Inspection reports prepared by the Protection of Civilians Section showed that it conducted site inspections and reported deficiencies to be addressed. For the Civil Affairs Section, results of field inspections were not included in the site reports. Details of specific natural water reservoirs visited and observations made by the Section were missing-even though pictures of the work done by the implementing partners were available.

19. The above occurred as UNAMID management did not systematically supervise the site inspections to ensure issues identified are accurately recorded and addressed timely. Failure to adequately report the outcome of site inspections may result in remedial action not being taken in a timely manner, and paying implementing partners for substandard work and/or being paid for work not done.

(1) UNAMID should put in place adequate supervision to ensure that site inspections reports are enhanced to include deficiencies observed for remedial action.

UNAMID accepted recommendation 1 and stated that there were currently no planned projects or ongoing activities; nonetheless, the Mission sent out an email to all team leaders in November 2017 advising them to ensure that all future projects should be conducted in accordance with established procedures and that regular implementation monitoring and reporting should be done in collaboration with implementing partners. Based on the action taken by UNAMID, recommendation 1 has been closed.

Controls over disbursement of stipends paid under the LPD trust fund were adequate

20. According to the memorandum of understanding between Donor C and UNAMID, the Mission was responsible and accountable for the efficient financial management and disbursement of the stipends to the Ceasefire Commission representatives for their work in the disarmament, demobilization and reintegration of ex-combatants throughout Darfur, and maintain records to support expenditures. A review of all payments made showed that they were properly supported by disbursement records indicating both the signature of the recipients and their thumb-prints. OIOS concluded that UNAMID disbursed the stipends and maintained adequate records in accordance with the donor's requirements.

Project and equipment handover vouchers were prepared

21. The DPKO/DFS standard operating procedures on the use of trust funds in peacekeeping operations requires handover vouchers to be issued for projects involving procurement of goods or engineering/construction activities for recipients to acknowledge receipt of the projects and/or equipment and agree to use these for the sole purpose intended.

22. UNAMID prepared handover vouchers for the classrooms and clinics constructed at a cost of \$1,618,497, which were signed by receiving ministries of education and health, and for the equipment such as office equipment, furniture, generators and water pumps worth \$410,547, which were signed by representatives of the local authorities. OIOS concluded that UNAMID had adequate controls in place for the handover of construction projects and equipment to government ministries and local authorities that agreed to use the assets for the purpose intended.

UNAMID did not maintain accurate trust funds financial records

23. The DPKO/DFS standard operating procedures on the use of trust funds in peacekeeping operations require the maintenance of financial and activity reports. The agreement between the African Union Commission and UNAMID required that any surplus funds in the LPD trust fund be used for a purpose as may be determined by UNAMID in consultation with the donor government and the African Union Commission.

24. UNAMID provided reports on trust funds activities to the donors based on progress and financial reports from implementing partners. However, due to an error, the total project costs for the construction of education and health facilities under the DCPD had been reported as \$1,755,820 instead of \$1,618,497 in the final report sent to the donor, and the cover letter stated that there were unutilized funds of \$35,072 instead of \$271,818.

25. The misstatement of expenditures arose because there was inadequate review and reconciliation of expenditures recorded in project documents and the donors' funded amount. Such errors impact the credibility of UNAMID, and could negatively affect future funding

(2) UNAMID should put in place measures to ensure that reports prepared for submission to donors are adequately reviewed and reconciled with project documents.

UNAMID accepted recommendation 2 and stated that the observation was an oversight and an isolated case. Nonetheless, without creating a new mechanism, it would place greater emphasis on the review of all documentation to avoid errors in reporting. As there are no ongoing projects or planned activities for the LPD trust fund and based on the explanation and assurance provided by UNAMID, recommendation 2 has been closed.

IV. ACKNOWLEDGEMENT

26. OIOS wishes to express its appreciation to the management and staff of UNAMID 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 trust fund activities in the African Union-United Nations Hybrid Operation in Darfur

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UNAMID should put in place adequate supervision to ensure that site inspections reports are enhanced to include deficiencies observed for remedial action.	Important	C	Action taken.	Implemented
2	UNAMID should put in place measures to ensure that reports prepared for submission to donors are adequately reviewed and reconciled with project documents.	Important	C	Action taken.	Implemented

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.

³ C = closed, O = open

⁴ Date provided by UNAMID in response to recommendations.

APPENDIX I

Management Response



African Union – United Nations Hybrid Operation in Darfur

Office of the Joint Special Representative & Joint Chief Mediator

3 December 2017

To: Mr. Arnold Valdez, Officer-in-Charge
Peacekeeping Audit Service
Internal Audit Division, OIOS

From: Jeremiah N. Mamabolo
Joint Special Representative / Joint Chief Mediator
UNAMID

Subject: Draft report on an audit of trust fund activities in the African Union-United Nations Hybrid Operation in Darfur (AP2016/634/05).

1. With reference to your memorandum dated 28 November 2017 on the abovementioned audit, please find attached UNAMID's response (Appendix I) to the draft report for your consideration. I confirm the factual accuracy of the report.
2. Please do not hesitate to contact us for any further assistance.

Best regards,

cc: Ms. Victoria Browning, Director, Mission Support Division, UNAMID
Mr. Michael Tarallo, Chief, Budget and Finance Section, UNAMID
Mr. Pierre Ubalijorro, Chief, Civil Affairs Section, UNAMID
Ms. Dorothy Choto, Audit focal Point, UNAMID
Mr. Alexandre Etocke, Chief Resident Auditor, UNAMID
Ms. Cynthia Avena-Castillo, Professional Practices Section, IAD-OIOS

Management Response

Audit of trust fund activities in the United Nations-African Union Hybrid Operation in Darfur

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNAMID should put in place adequate supervision to ensure that site inspections reports are enhanced to include deficiencies observed for remedial action.	Important	Yes	Chief, Civil Affairs Section	29 November 2017	UNAMID would like to reiterate that there are currently no ongoing projects or planned activities using funds from the Lasting Peace in Darfur (LPD) trust fund. Notwithstanding, UNAMID has sent an e-mail to all the Team Leaders requesting them to ensure that site inspections for all future projects (if any) will be conducted in accordance with the established procedures (e.g. e-mail instruction, SOP) and regular project implementation monitoring and reporting will be enhanced in collaboration with the Implementing Partners.
2	UNAMID should put in place measures to ensure that reports prepared for submission to donors are adequately reviewed and reconciled with project documents.	Important	Yes	Chief, Budget and Finance Section	29 November 2017	UNAMID would like to note that the reported incident was an isolated case of oversight. Measures are already in place. Without creating a new mechanism, UNAMID assures due diligence and greater emphasis will be placed on the review of all documentation to avoid unnecessary oversight errors on reporting

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.