



INTERNAL AUDIT DIVISION

REPORT 2016/120

Audit of the management of the United Nations Fund for International Partnerships and the Trust Fund for Partnerships at the United Nations Office for Partnerships

While the activities relating to the Funds were generally performed in accordance with applicable guidelines, project proposals needed to be better supported with detailed breakdown of costs

18 October 2016
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Audit of the management of the United Nations Fund for International Partnerships and the Trust Fund for Partnerships at the United Nations Office for Partnerships

EXECUTIVE SUMMARY

The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes in ensuring effective management of the United Nations Fund for International Partnerships (UNFIP) and the Trust Fund for Partnerships at the United Nations Office for Partnerships (UNOP). The audit covered the period from 1 January 2014 to 31 December 2015 and it included review of project proposals, monitoring and evaluation of projects, controls over expenditure and donor reporting.

The audit showed that activities relating to UNFIP and the Trust Fund for Partnerships were generally performed in accordance with applicable guidelines to meet the primary objective of the funds. UNOP monitored projects in accordance with established procedures and generally complied with donor reporting requirements. However, with regard to UNFIP, UNOP needed to establish a mechanism to ensure that project proposals from implementing partners are supported by detailed breakdown of costs to assure their reasonableness.

The erection of a Permanent Memorial to honour the victims of the Transatlantic slave trade was the only activity undertaken under the Trust Fund for Partnerships during the audit period (i.e., the 2014-2015 biennium). The expenditure of \$2 million incurred on the Permanent Memorial was duly supported by necessary approvals. However, UNOP was yet to make arrangements for utilizing the unspent balance of \$133,767 in this Trust Fund, which were to be retained to support the maintenance of the Memorial in accordance with General Assembly resolution 69/19.

OIOS made two recommendations to address these issues, as follows:

- UNOP should establish a mechanism to ensure that project proposals are supported by a detailed breakdown of costs; and
- UNOP should take appropriate action to utilize the unspent balance relating to the Permanent Memorial in accordance with General Assembly resolution 69/19.

UNOP accepted the recommendations and has initiated action to implement them.

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Audit of the management of the United Nations Fund for International Partnerships and the Trust Fund for Partnerships at the United Nations Office for Partnerships

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of management of the United Nations Fund for International Partnerships and the Trust Fund for Partnerships at the United Nations Office for Partnerships (UNOP).

2. UNFIP was established in 1998 to serve as the interface between the United Nations Foundation and the United Nations system. The United Nations Foundation was a private entity established by Ted Turner as a public charity to channel his gift of \$1 billion towards United Nations causes over a ten-year period. Both entities signed a relationship agreement in 1998 which was renewed in 2004 and 2014. The revised and restated relationship agreement between the United Nations and the United Nations Foundation was signed and became effective on 23 October 2014. The Agreement established a Joint Coordination Committee (JCC) comprising an equal number of members from the United Nations and the United Nations Foundation to ensure adequate communication and coordination on projects, campaigns and other activities. The Advisory Board chaired by the Deputy Secretary-General was responsible for overseeing the operations and activities of UNFIP including providing advice on issues raised by the JCC, future projects, and the UNFIP administrative budget. During 2014-2015, UNFIP managed 62 projects amounting to approximately \$92 million implemented by various United Nations entities (hereafter referred to as “implementing partners”).

3. The Trust Fund for Partnerships was established by the Secretary-General in 2009 to provide UNOP with a financial mechanism to mobilize resources from non-state actors through public and private partnerships to support the United Nations’ international agenda and the Millennium Development Goals. The terms of reference of this trust fund were amended to include receipts and disbursements relating to the erection of the Permanent Memorial at United Nations Headquarters in honour of the victims of Slavery and the Transatlantic Slave Trade. During the audit period (i.e., the 2104-2015 biennium), the only activity undertaken under this trust fund was the erection of the Permanent Memorial.

4. The Secretary-General established UNOP in 2006 to serve as a gateway for partnership opportunities with the United Nations family. UNOP managed UNFIP and administered the Trust Fund for Partnerships. Table 1 shows the income and expenditure of the funds for the 2014-2015 biennium.

Table 1: Trust funds at UNOP: Income and expenditure for 2014-2015 (amounts in thousands of \$)

	UNFIP	Trust Fund for Partnerships
Income	92,412	930
Expenditure	90,234	2,085
Surplus/Deficit as of 31 December 2015	2,178	(1,155)
Net assets opening balance-1 January 2014	1,033	1,384
Net assets closing balance - 31 December 2015	3,211	229

5. UNOP was headed by an Officer-in-Charge at the D-1 level and supported by seven staff (three Professional and four General Service). During the 2014-2015 biennium, the United Nations Foundation contributed \$1.5 million annually to cover the administrative costs of UNFIP.

6. Comments provided by UNOP are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

7. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes in ensuring effective management of UNFIP and the Trust Fund for Partnerships.

8. This audit was included in the 2016 risk-based work plan of OIOS due to the risk that potential weaknesses in management of UNFIP and the Trust Fund for Partnerships could adversely affect donor confidence, achievement of objectives, as well as the reputation of the Organization.

9. OIOS conducted this audit from February to June 2016. The audit covered the period from 1 January 2014 to 31 December 2015. Based on an activity-level risk assessment, the audit covered higher and medium risk areas in the management of UNFIP and the Trust Fund for Partnerships, which included review of project proposals, monitoring and evaluation of projects, controls over expenditure and donor reporting.

10. The audit methodology included: (a) interviews of key personnel, (b) review of relevant documentation, (c) analytical review of data; and (d) sample testing. Using the stratified sampling method, the audit team selected for detailed review a representative sample of 15 projects amounting to \$41 million out of 62 projects in 2014-2015 amounting to \$92 million.

III. OVERALL CONCLUSION

11. Activities relating to UNFIP and the Trust Fund for Partnerships were generally performed in accordance with applicable guidelines to meet the primary objective of the funds. Project plans and expected results were generally in accordance with trust funds' terms of reference. Projects were monitored in accordance with established procedures, and UNOP generally complied with donor reporting requirements. However, UNOP needed to: (a) establish a mechanism to ensure that project proposals are supported by detailed breakdown of costs to assure their reasonableness; and (b) make arrangements for utilizing the unspent balance in the Trust Fund for Partnerships.

IV. AUDIT RESULTS

A. The United Nations Fund for International Partnerships

Project activities were in accordance with the Fund's terms of reference

12. According to the terms of reference (TOR) of UNFIP, projects should fall under five main thematic areas, namely: (i) global health; (ii) energy and climate; (iii) women, girls and population; (iv) advocacy and communication; and (v) peace, security and human rights.

13. For the five main thematic areas, the distribution of funds was as follows: global health 68 per cent; energy and climate 12 per cent; women, girls and population 11 per cent; advocacy and communication 5 per cent; and peace, security and human rights 4 per cent. OIOS review of 15 UNFIP projects showed that project objectives, planned activities and expected results indicated in the project documents were aligned with the five main thematic areas. Outputs and outcomes indicated in project

reports were in accordance with the TOR.

14. OIOS therefore concluded that project activities relating to UNFIP during the 2014-2015 biennium were undertaken in accordance with their TOR.

Project proposals needed to be supported by a detailed breakdown of costs

15. According to the guidelines for UNFIP project documents, implementing partners responsible for implementing the projects were required to use a budget template to indicate the estimated expenditure under different categories, namely: salaries, travel, contractual services, meetings and training, acquisitions, grants and miscellaneous.

16. Out of 15 project proposals reviewed by OIOS, in five cases the breakdown of costs in the proposals was inadequate and could not be linked to the activities in the project documents. Essential details such as the number of personnel planned to be employed, approximate cost per person, the venue and number of personnel to be trained, and the quantity and estimated cost of items proposed to be purchased were not adequately indicated in the project proposals.

17. In addition, seven project proposals with consultant costs amounting to \$862,570 did not have terms of reference or breakdown of the related costs, such as the number of consultants planned to be engaged and their rates. Although the project proposal template required breakdown of costs under different categories, it did not require the provision of supporting information to enable an assessment of their reasonableness. Further, implementing agencies were not required to link the cost estimates to specific project activities. UNFIP acknowledged the need to have a more detailed breakdown of costs to assess their reasonableness.

(1) UNOP should establish a mechanism to ensure that project proposals are supported by a detailed breakdown of costs.

UNOP accepted recommendation 1 and stated that UNFIP will incorporate a budget narrative in future UNFIP project documents that provides a description of each major budget item to demonstrate further that the costs are reasonable and justifiable. Accordingly, UNFIP has developed a project document guidance note for reference by United Nations implementing partners to assist them in preparing the budget narrative section of future project proposals. In addition, UNFIP's standard operating procedures for project document preparation have been amended accordingly. Recommendation 1 remains open pending receipt of evidence that project proposals are adequately supported by detailed breakdown of costs.

Projects were monitored and reports were submitted to donors as required

18. According to UNFIP standard operating procedures on reporting, implementing partners were required to submit full and complete financial reports, annual narrative progress reports, certified financial statements and a final report. UNFIP was responsible for liaising with them to ensure timely submission of annual progress reports. According to the revised relationship agreement, UNFIP is required to provide the United Nations Foundation annually copies of reports submitted by the implementing partners. A project is considered operationally completed after submission of the final report; the project is financially closed after receiving confirmation by the United Nations Foundation.

19. UNFIP had instituted an internal mechanism to track reports from implementing partners. Project references, titles, grant amounts, start and end dates, and due dates for reports were entered in an Excel spreadsheet and used to ensure that overdue reports were followed up.

20. Out of the sample of 15 projects reviewed, nine projects were operationally completed. UNFIP had received final reports from eight implementing partners and submitted them to the United Nations Foundation as required. One final report was pending, which UNFIP had followed up with the implementing partner. Six projects were ongoing including two major projects amounting to \$39 million, which had been extended at no cost for completion later in 2016. OIOS review of eight project final reports indicated that the reports adequately explained the main objectives and expected outcomes, results achieved, challenges, assessment of collaboration between United Nations agencies and others, communications and lessons learned.

21. Based on the above, OIOS concluded that UNOP had instituted adequate controls over the donor reporting process.

Unspent balances were utilized in accordance with standard operating procedures

22. According to the UNFIP standard operating procedures on reporting requirements, a closed project required, among other things, confirmation by the United Nations Foundation of any unutilized balances and interest income returned or re-programmed based on the Foundation’s approval.

23. UNFIP unspent balances relating to closed projects amounted to \$1,598,661 in 2014 and \$828,331 in 2015. These unspent balances had been adjusted against the UNFIP administrative expenses account in both years, with the approval of the United Nations Foundation. OIOS therefore concluded that unspent balances on UNFIP projects during the 2014-2015 biennium had been appropriately utilized.

B. Trust Fund for Partnerships

Payments relating to the Permanent Memorial were made based on instructions from the Controller

24. In its resolution 63/5 of 20 October 2008, the General Assembly welcomed the initiative of the Member States of the Caribbean Community to erect, at a place of prominence at the United Nations Headquarters, a Permanent Memorial to honour the victims of slavery and the transatlantic slave trade. The same resolution also welcomed the establishment of a committee of interested States to oversee the project in collaboration with the United Nations Educational, Scientific and Cultural Organization (UNESCO), representatives of the United Nations Secretariat, and civil society. In its subsequent resolution 64/15 of 22 December 2009, the General Assembly endorsed the establishment of a trust fund for the Permanent Memorial, to be administered by UNOP. Instead of establishing a separate trust fund, the Controller authorized UNOP to operate the Trust Fund for Partnerships to receive and disburse funds relating to the construction of the Permanent Memorial. A memorandum of understanding (MOU) between UNOP, UNESCO and the Permanent Memorial Committee (PMC) outlined the roles and responsibilities of the parties. Table 2 shows the payments made by UNOP towards the construction of the Permanent Memorial.

Table 2: Payments made by UNOP for construction of the Permanent Memorial

Nature of payment	Amount (\$)
Architect’s company	1,774,000
Design competition and prize	154,013
Other contractual services (including consultants)	70,369
Fundraising luncheon	42,790
Total	2,041,172

25. OIOS noted the following in this regard:

(a) In accordance with the MOU, UNESCO organized an international design competition for the Permanent Memorial and the winner was selected by a set of international judges.

(b) PMC decided to award the contract on sole-source basis to the architect's company who won the international design competition. The contract included preparation of design drawings, fabrication/construction, and installation at Headquarters. The United Nations Secretariat was not involved in contract award and contract management. PMC sent invoices from the contractor to UNOP for payment.

(c) UNOP sought the advice of the Controller's Office and the Office of Legal Affairs (OLA) on how to process the invoices of the architect's company since the United Nations did not enter into a contract with the architect's company. UNOP pointed out that payments from the trust fund should be in accordance with United Nations Financial Regulations and Rules.

(d) OLA advised that since the General Assembly, which has plenary authority over the finances of the Organization pursuant to Article 17 of the Charter, had authorized the use of the resources of the Trust Fund in this manner, such a departure from the provisions of the Financial Regulations and Rules is legally acceptable. The General Assembly had authorized the establishment and use of a trust fund in similar circumstances (i.e., to reimburse Member States) on a few other occasions.

(e) The Controller's Office advised UNOP to raise an obligation in the required amount and submit its request to issue a payment formally to the Accounts Division, Office of Programme Planning, Budget and Accounts, clarifying the circumstances as well as the fact that the United Nations was acting as an agent and did not have autonomous decision making capacity on the utilization of the funds, which was vested with PMC. The Controller's Office clarified that UNOP could make payments directly to third parties based on specific written instructions from PMC.

26. Expenditures relating to design competition, other contractual services, and fundraising luncheon were duly supported and processed in accordance with Financial Regulations and Rules. However, payments totaling of \$1.8 million were made to the architect's company in the circumstances described above. OIOS therefore concluded that the expenditure of \$2 million incurred on the Permanent Memorial was duly supported by necessary approvals.

Need to make arrangements to utilize the unspent balance

27. According to a memorandum between UNOP, PMC and the UNESCO, UNOP was responsible for administering the Trust Fund for Partnerships in support of implementation of the project to erect a Permanent Memorial. The General Assembly decided in its resolution 69/19 that any unspent funds would be retained to support the maintenance of the Memorial.

28. All activities relating to the construction of the Permanent Memorial were completed and the Secretary-General unveiled it on 25 March 2015 at Headquarters. However, as of June 2016, there was an unspent balance of \$133,767. At the time of the audit, UNOP was yet to initiate formal action to utilize the unspent balance to support the maintenance of the Memorial. UNOP stated that it was still waiting for a final invoice from PMC for a plaque honouring the donors before the trust fund account could be closed. The unspent balance would be transferred to the Office of Central Support Services (OCSS) who had the responsibility to maintain the Memorial. At the time of the audit, UNOP was yet to take any formal action in this regard.

(2) UNOP should take appropriate action to utilize the unspent balance relating to the Permanent Memorial in accordance with General Assembly resolution 69/19.

UNOP accepted recommendation 2 and stated that the residual balance of the Trust Fund account will be transferred to an appropriate trust fund administered by OCSS upon confirmation of the name of relevant trust fund. Recommendation 2 remains open pending receipt of evidence that the unspent balance relating to the Permanent Memorial has been transferred to OCSS.

V. ACKNOWLEDGEMENT

29. OIOS wishes to express its appreciation to the management and staff of UNOP for the assistance and cooperation extended to the auditors during this assignment.

(Signed) Eleanor T. Burns
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STATUS OF AUDIT RECOMMENDATIONS

Audit of the management of the United Nations Fund for International Partnerships and the Trust Fund for Partnerships at the United Nations Office for Partnerships]

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UNOP should establish a mechanism to ensure that project proposals are supported by a detailed breakdown of costs.	Important	O	Receipt of evidence that project proposals are adequately supported by detailed breakdown of costs.	October 2016
2	UNOP should take appropriate action to utilize the unspent balance relating to the Permanent Memorial in accordance with General Assembly resolution 69/19.	Important	O	Receipt of evidence that the unspent balance relating to the Permanent Memorial has been transferred to OCSS.	31 December 2016

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 UNOP in response to recommendations.

APPENDIX I

Management Response

Management Response
Audit of the management of the United Nations Fund for International Partnerships and the Trust Fund for Partnerships at the United Nations Office for Partnerships

Rec. no.	Recommendation	Critical ¹ /Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNOP should establish a mechanism to ensure that project proposals are supported by a detailed breakdown of costs.	Important	Yes	Chief of Operations Officer-in-Charge UN office for Partnerships	Implemented	UNFIP will incorporate a budget narrative section in future UNFIP project documents that provides a description of each major budget item to demonstrate further that the costs are reasonable and justifiable. Accordingly, UNFIP has developed a 'UNFIP project document guidance note' for reference by United Nations implementing partners to assist them in preparing the budget narrative section of future project proposals. In addition, UNFIP's standard operating procedures for project document preparation have been amended accordingly.
2	UNOP should take appropriate action to utilize the unspent balance relating to the Permanent Memorial in accordance with General Assembly resolution 69/19.	Important	Yes	Chief of Operations Officer-in-Charge UN office for Partnerships	31 December 2016	As stated in the Secretary-General's Report A/71/170, the residual balance of the Trust Fund account will be transferred to an appropriate Trust Fund administered by the Office of Central Support Services (OCSS) in the Department of Management (DM) upon confirmation from OCSS/DM of the name of relevant Trust Fund.

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.