



## **INTERNAL AUDIT DIVISION**

### **REPORT 2018/103**

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**Audit of the management of the trust  
fund for local support services at the  
United Nations Office at Geneva**

**Controls over management of the trust fund  
needed to be strengthened**

**29 October 2018**

**Assignment No. AG2018/310/01**

# **Audit of the management of the trust fund for local support services at the United Nations Office at Geneva**

## **EXECUTIVE SUMMARY**

The Office of Internal Oversight Services (OIOS) conducted an audit of the management of the trust fund for local support services (hereafter referred to as “the trust fund”) at the United Nations Office of Geneva (UNOG). The objective of the audit was to assess the adequacy and effectiveness of internal controls in ensuring effective management of the trust fund. The audit covered the period from 1 January 2016 to 31 March 2018 and included a review of risk areas relating to: (i) governance arrangements; (ii) project management; and (iii) regulatory framework.

The activities were in accordance with the trust fund’s terms of reference. However, controls over management of the trust fund needed to be strengthened.

OIOS made four recommendations. To address issues identified in the audit, UNOG needed to:

- Strengthen the governance arrangements for the trust fund for local support services by developing formal guidelines for review of donor proposals prior to acceptance of their contributions, including due diligence checks of non-traditional donors;
- Strengthen controls over the digitization project by establishing a Project Board to ensure effective oversight over the project and the achievement of its objectives in a timely manner;
- Develop a policy for evaluation of projects based on clearly defined criteria and make appropriate budget provision for such evaluation in the project proposals; and
- Institute a mechanism to identify and document linkages to the Sustainable Development Goals within each project during the project design phase, where appropriate.

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

# CONTENTS

	<i>Page</i>
I. BACKGROUND	1
II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY	1 - 2
III. AUDIT RESULTS	2 - 6
A. Governance arrangements	2 - 3
B. Project management	3 - 6
C. Regulatory framework	6
IV. ACKNOWLEDGEMENT	6
ANNEX I      Status of audit recommendations	
APPENDIX I   Management response	

# Audit of the management of the trust fund for local support services at the United Nations Office at Geneva

## I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the management of the trust fund for local support services (hereafter referred to as “the trust fund”) at the United Nations Office of Geneva (UNOG).
2. The trust fund was established in 2007 to provide financial support for: (i) renovation and improvements of UNOG premises and the United Nations compound (such as conference rooms, offices, buildings, routes of access, and security measures); (ii) acquisition of various equipment used by UNOG (such as office equipment, audio-visual and other communication, conference and security equipment); and (iii) organization of workshops, seminars, and training on various issues. The Director of Administration of UNOG is the trust fund’s programme manager. The Finance Resources Management Service (FRMS) of UNOG provided administrative support to projects funded from the trust fund.
3. The trust fund received contributions from Member States and non-traditional donors (private sector, non-governmental organizations and foundations) for projects managed by UNOG. During the 2016-2017 biennium, UNOG received contributions amounting to \$57.4 million from 19 donors, including in-kind contributions of \$22 million from two Member States.
4. The total income and expenditure of the trust fund for the period 2016-2017 are shown in Table 1.

**Table 1: Summary of income and expenditure for the trust fund for local support services**

<b>Particulars</b>	<b>2017 (\$)</b>	<b>2016 (\$)</b>
Voluntary contributions and other income	3,510,665	31,952,078
Voluntary contributions in kind	0	21,991,179
Total income	3,510,665	53,943,257
Expenditure	2,132,235	20,092,396
<b>Excess of income over expenditure</b>	<b>1,378,430</b>	<b>33,850,861</b>

5. Comments provided by UNOG are incorporated in italics.

## II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

6. The objective of the audit was to assess the adequacy and effectiveness of internal controls in ensuring effective management of the trust fund for local support services at UNOG.
7. This audit was included in the 2018 risk-based work plan of OIOS due to the risk that potential weaknesses in management of the trust fund could adversely affect donor confidence, achievement of objectives, as well as the Organization’s reputation.
8. OIOS conducted this audit from May to July 2018. The audit covered the period from 1 January 2016 to 31 March 2018. Based on an activity-level risk assessment, the audit covered risk areas which included: (i) governance arrangements; (ii) project management; and (iii) regulatory framework.
9. The audit methodology included: (a) interviews with key personnel; (b) review of relevant documentation; (c) analytical review of data; and (d) sample testing of transactions. Using the stratified

sampling method, OIOS selected for detailed review a representative sample of 13 projects amounting to \$57 million (comprising contributions of \$35 million in cash and \$22 million contributions in-kind).

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

### III. AUDIT RESULTS

#### A. Governance arrangements

##### Need to develop formal guidelines for review of donor proposals

11. Voluntary contributions to the trust fund varied considerably since its establishment in 2007, reaching a high of \$54 million (including \$22 million in-kind) in 2016. During 2015-2016, at the initiative of UNOG’s Director-General, some donors expressed interest in financing various projects to support UNOG’s activities. Since the proposed projects were not within the trust fund’s terms of reference, UNOG approached the Controller to amend the terms of reference. Accordingly, the purpose of the trust fund was expanded to include financial support to activities mandated by the General Assembly as well as activities that are consistent with such mandates and policies of the Organization, including the Director-General’s compact with the Secretary-General. This amendment enabled UNOG to implement projects in diverse areas such as media, outreach and archives management in addition to renovation of infrastructure and security. Table 2 shows the major projects implemented during the review period.

**Table 2: Major projects financed from the trust fund**

Thematic area	Project title	Income (\$)
Infrastructure renovation (in-kind contribution)	Renovation of the Conference Room XVII	20,569,018
	Renovation of the Russian Room	1,422,160
Infrastructure renovation	Renovation of Conference Room C	3,000,000
	Renovation of Conference Room XVII	271,800
	Renovation of Conference Room XIX	607,000
	Renovation of the Celestial Sphere	4,534,000
Archives management	Digitization of League of Nations Library Archives	25,466,000
Outreach	“Perception Change” project	1,430,612
Security	Supporting the Security Master Plan	200,000
Media	Collaborate with UNTV to produce short film	51,302
	Exhibition material to showcase UNOG cultural activity	1,479

12. Expansion of the scope and purpose of the trust fund, together with a surge in voluntary contributions in 2016, meant that UNOG had to review donors’ proposals before accepting their contributions to ensure that projects were within its mandate and expertise. UNOG stated that at the time of reviewing donor agreements, it considered the feasibility of implementing the proposed projects. For example, UNOG had declined a contribution from a donor to support a disarmament project because there were other United Nations offices dedicated to the disarmament area with the appropriate expertise.

13. UNOG stated that the resource mobilization efforts of its Director-General were aimed at securing complementary resources and ensuring the continuation of its service provision to clients. These efforts not only allowed for organizational sustainability but also enabled improvement and scaling-up of UNOG’s programme of work. At a time when the Organization has been affected by budgetary constraints and decrease in assessed contributions, these efforts were an absolute necessity to ensure programmatic,

institutional and financial sustainability. OIOS acknowledges UNOG's efforts to expand its resource base through increased voluntary contributions to supplement its regular budget resources.

14. FRMS reviewed donor proposals before accepting their voluntary contributions but no formal procedures or guidelines had been established. OIOS is of the view that written procedures or guidelines are required to ensure consistency and assure that the accepted voluntary contributions conform to the trust fund's terms of reference as well as UNOG's mandate and areas of expertise. Such guidelines would strengthen the existing governance arrangements, including accountability for the funds and realization of expected accomplishments.

15. Guidelines issued by the Secretary-General on a principle-based approach to cooperation between the United Nations and the business sector stipulate that the concerned United Nations entity should ensure the integrity of the partnership through a robust due diligence process for selecting partners. UNOG made significant progress in strengthening partnerships with the private sector and partnered with four non-traditional donors from whom it received \$30.3 million during the period January 2016 to December 2017 for seven projects. UNOG stated that FRMS reviewed agreements/letters with donors before receiving voluntary contributions and conducted research and background checks on them through their websites, and also checked the United Nations Security Council Sanctions and World Bank lists. However, there was no documentation showing the due diligence checks conducted. UNOG needs to formalize the due diligence checks to ensure that the risk to the reputation of the Organization is adequately mitigated.

**(1) UNOG should strengthen the governance arrangements for the trust fund for local support services by developing formal guidelines for review of donor proposals prior to acceptance of their contributions, including due diligence checks of non-traditional donors.**

*UNOG accepted recommendation 1 and stated that it would start immediately to document what due diligence checks have been done for each new contribution proposed by non-traditional donors and develop formal guidelines and checklists to be utilized for review of donor proposals for implementing offices and reviewing offices. Recommendation 1 remains open pending receipt of formal guidelines and checklists used during the review of proposals from non-traditional donors.*

## **B. Project management**

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

16. OIOS review of contribution agreements, concept notes, cost plans, and budgets for planned and implemented activities relating to 13 projects showed that project objectives generally matched the primary purpose of the trust fund and were in accordance with its terms of reference.

17. Out of 13 projects reviewed, there were four high value projects amounting to \$33 million, namely: (i) digitization of League of Nations archives (\$25.5 million); (ii) renovation of the Celestial Sphere (\$4.5 million); (iii) renovation of a conference room (\$3 million); and (iv) "perception change" project (\$1.4 million). Results of OIOS review of these projects are as follows.

Controls over the project for digitization of the League of Nations archives needed to be strengthened

18. UNOG identified the need to preserve fragile and heterogeneous material from the League of Nations archives through digitization. This prestigious project would assist UNOG in maintaining the archives by physical and digital preservation of approximately 3 linear kilometers or 15 million pages of materials. UNOG presented a funding proposal to a private donor in 2016 who accepted it and made a

contribution of \$25.4 million. The duration of the project was five years from September 2017 to August 2022.

19. In September 2017, UNOG signed a financial agreement with a United Nations agency as an implementing partner at a cost of \$13 million for: (i) provision of the pre- and post-digitization team; (ii) procurement of scanning services through a specialized provider; and (iii) procurement of physical preservation supplies and furniture. At the time of the audit, UNOG had received \$14.4 million from the donor and advanced the implementing partner \$9.1 million. According to the financial agreement, the implementing partner would support the project through the provision of services which included procurement and personnel support. The project was managed by a project management team consisting of a Project Director (P-5), a Preservation and Access Manager (P-4), a Project Officer (P-3), and a Project Management Assistant (G-6). The Project Director reported to the Director of the Library, who himself reported to the Director-General of UNOG. As of August 2018, the implementing partner had recruited 12 staff engaged in pre- and post-digitization activities.

20. According to the financial agreement with the implementing partner, a Project Board comprising senior users, project executive and senior supplier from the implementing partner was to be constituted to provide overall guidance and direction of the project. However, at the time of the audit, UNOG had not formally established a Project Board.

21. The project team submitted three reports to the Director-General between late-2016 and February 2017. These reports were primarily focused on arrangements during the initial stages of the project, such as creation of a project management team and identification of the United Nations agency to implement the project. There were no reports beyond February 2017 on the progress of the project. In the absence of the regular reporting, the means through which oversight was exercised and required actions were followed up remained unclear. For example, the report of 17 November 2016 indicated that the project management team was responsible for preparation of risk analysis and an exit plan. There was no evidence that these were prepared. UNOG stated that there was a “de facto” project board and indicated that upon receipt of the donation, definition and decisions on project structure and budget were made in consultation with the Director-General, the Director of Administration, the Chief of FRMS, and the Chief of the Information and Communications Technology Service. UNOG also stated that the Director of Library briefed the Director-General on the status of the project during their weekly bilateral meetings. However, there was no documented record of such meetings.

22. UNOG needs to strengthen project management and oversight of the digitization project by establishing a Project Board as envisaged in the financial agreement to effectively monitor the project, including the expenditure incurred, to assure the achievement of its objectives.

**(2) UNOG should strengthen controls over the digitization project by establishing a Project Board to ensure effective oversight over the project and the achievement of its objectives in a timely manner.**

*UNOG accepted recommendation 2 and stated that the current informal oversight structure is going to be formalized through a formal Project Board, which will be established by 30 November 2018. Recommendation 2 remains open pending the establishment of a Project Board and evidence that it has been meeting periodically to exercise appropriate oversight of the digitization project.*

Controls over management of the renovation of Celestial Sphere were adequate

23. The Celestial Sphere project received funding from a donor in the amount of \$4.5 million in March 2017. The objective of the project was to repair the main structure supporting the Celestial Sphere

monument at UNOG and regulate the speed of the sphere to synchronize with the constellations and stars. This project was scheduled to be completed by September 2019. UNOG had developed a cost plan and implementation plan for the project. A dedicated manager monitored the project against established timelines. At the time of the audit, phase 1 had been completed. Phase 2 was ongoing as planned.

Controls over management of the project for renovation of a conference room (C-6) were adequate

24. In April 2016, UNOG received \$3 million from a donor towards refurbishment of a conference room (C-6). The project was planned to be implemented as part of the Strategic Heritage Plan (SHP) of UNOG in six phases with an anticipated completion date of 31 December 2019. The UNOG SHP team developed the cost plan and monitored project implementation. Progress made was reported in the annual report to the General Assembly on the implementation of the SHP.

Controls over the “Perception Change” project were adequate

25. UNOG received \$1.4 million from a donor in December 2016 for the “Perception Change” project which aimed to highlight the impact of the work done by the United Nations and international organizations, non-governmental organizations and other institutions based in Geneva. Its objective was to broaden the overall understanding of the relevance of the work carried out by these organizations and institutions in Geneva, not only in the context of humanitarian assistance, peacekeeping or global health, but also to everyday life. The project was led by a project manager (P-5) who reported to the Director-General. The project was scheduled to end in December 2018 with possibility of extension.

26. The project’s activities were centered around three main axes: outreach and media, academic evidence and individual experience. UNOG’s annual progress for 2017 listed various activities carried out under the project. UNOG reported project progress to the donor regularly and the donor expressed satisfaction on results achieved.

Need to develop internal policy on evaluation of major projects

27. UNOG did not provide for internal or external evaluation of its major projects and was yet to develop a policy on evaluation. UNOG stated that key performance indicators identified in project proposals were reported to donors through donor reports but there was no provision for project evaluation. However, UNOG agreed that a provision for evaluation could be included in future project proposals in consultation with donors. OIOS is of the view that evaluation of selected projects based on defined criteria (such as project costs beyond a certain threshold) is necessary to assure the extent to which they have met the expected expectations, and also enable lessons learned for future projects.

**(3) UNOG should develop a policy on evaluation of projects based on clearly defined criteria and make appropriate budget provision for such evaluation in the project proposals.**

*UNOG accepted recommendation 3 and stated that the need of such evaluation would be established not only on the basis of a threshold but also on the nature of the project. UNOG will make every effort to negotiate with the donor an appropriate budget provision for such evaluation activity. This will be applied for any new future agreements. Recommendation 3 remains open pending receipt of a policy on evaluation of projects financed from the trust fund.*

Need to document linkages to Sustainable Development Goals

28. General Assembly resolution 70/1 defined 17 Sustainable Development Goals (SDGs) and 169 targets encapsulating in each goal the three development dimensions: economic, social and environmental.



United Nations entities are expected to mainstream SDGs in their own programme of work to effectively support Member States in implementing them.

29. OIOS review of selected projects noted that linkages to SDGs were not identified and documented in project proposals. Although UNOG had implemented many initiatives on mainstreaming of SDGs in its work, there was a need to institute a mechanism to document linkages to SDGs in project proposals. The project proposal template could also include the requirement to identify and document linkages of project activities to SDGs.

**(4) UNOG should institute a mechanism to identify and document linkages to SDGs within each project during the project design phase, where appropriate.**

*UNOG accepted recommendation 4 and stated that where appropriate, project proposal documents will identify the SDGs to which they have linkages. This recommendation will be applied for any new future agreements. Recommendation 4 remains open pending receipt of evidence of the mechanisms established by UNOG to ensure that project proposals are linked with SDGs.*

### C. Regulatory framework

#### Steps were taken to improve compliance with standards relating to recognition of in-kind contributions

30. UNOG received in-kind contributions amounting to \$21.9 million in 2016 from two Member States for renovation of a conference room (\$20.5 million) and the Russian room (\$1.4 million).

31. United Nations guidance on the International Public Sector Accounting Standards (IPSAS) define in-kind contributions as contributions in a form other than money and stipulate the principles for recognition of such contributions in the financial statements. The IPSAS guidance further describes the procedures for measuring the fair value of in-kind contributions and recommends that it is preferable to consider the market price for similar assets as the fair value; if prices cannot be obtained from the market, the cost indicated by the donor may be accepted as fair value after conducting reasonableness checks.

32. OIOS reviewed the basis adopted by UNOG for measuring the fair value of in-kind contributions and noted that UNOG recognized the value indicated by donors as fair value. UNOG stated that it did not have expertise to assess the reasonableness since the renovation work done was country-specific and included traditional paintings and decorative furniture whose value could not be readily assessed. However, UNOG took the initiative to develop a template for reporting on in-kind costs to be completed by the donor, which was included as one of the annexes in a donor agreement signed in 2017. OIOS acknowledges UNOG's effort in improving its compliance with IPSAS in regard to recognition of the fair value of in-kind contributions.

## IV. ACKNOWLEDGEMENT

33. OIOS wishes to express its appreciation to the management and staff of UNOG 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 management of the trust fund for local support services at the United Nations Office at Geneva

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
1	UNOG should strengthen the governance arrangements for the trust fund for local support services by developing formal guidelines for review of donor proposals prior to acceptance of their contributions, including due diligence checks of non-traditional donors.	Important	O	Receipt of formal guidelines and checklists used during the review of proposals from non-traditional donors.	30 June 2019
2	UNOG should strengthen controls over the digitization project by establishing a Project Board to ensure effective oversight over the project and the achievement of its objectives in a timely manner.	Important	O	Receipt of evidence of establishment of a Project Board and evidence that it has been meeting periodically to exercise appropriate oversight of the digitization project.	31 December 2018
3	UNOG should develop a policy for evaluation of projects based on clearly defined criteria and make appropriate budget provision for such evaluation in the project proposals.	Important	O	Receipt of a policy on evaluation of projects financed from the trust fund.	31 December 2019*
4	UNOG should institute a mechanism to identify and document linkages to SDGs within each project during the project design phase, where appropriate.	Important	O	Receipt of evidence of the mechanisms established by UNOG to ensure that project proposals are linked with SDGs.	31 December 2019*

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> C = closed, O = open

<sup>4</sup> Date provided by UNOG in response to recommendations.

\* Date indicated by OIOS.

# **APPENDIX I**

## **Management Response**

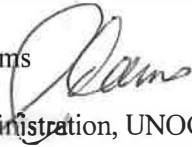
Office des Nations Unies à Genève  United Nations Office in Geneva

MEMORANDUM INTERIEUR

INTEROFFICE MEMORANDUM

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

DATE: 25 October 2018

FROM: Clemens M. Adams   
DE: Director  
Division of Administration, UNOG

REF. OIOS-2018-01996

UNOG-DOA-2018-  
00170

OIOS-2018-01996 Draft report on an audit of the management of the trust fund for local support services at the United Nations Office at Geneva  
SUBJECT: trust fund for local support services at the United Nations Office at Geneva  
OBJET: (Assignment No. AG2018/310/01)

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1. I would like to acknowledge receipt of your memorandum of 17 October 2018 addressed to Mr. Michael Møller, Director-General of UNOG, transmitting the draft report of the above-mentioned audit.
  2. We take note of the overall comments of the audit and the recommendations made to UNOG.
  3. Please find attached Appendix 1 duly completed, including the action plan with target dates and titles of individuals responsible for implementing the recommendations.
  4. I would like to avail of this opportunity to express our appreciation for the constructive dialogue with the audit team which was a key factor in arriving at a mutually satisfactory conclusion of this audit assignment resulting in forward looking recommendations.
- cc. The Director-General, UNOG  
Ms. Sophie Veaudour, Chief, a.i, Financial Resources Management Service, UNOG  
Ms. Celine Noel, Chief a.i, Finance Section, FRMS, UNOG  
Mr. Zachary Ikiara, Chief, Oversight Support and Coordination Unit, DM  
Mr. Hugues Noubissie, Special Assistant to the Director, Division of Administration, UNOG  
Ms. Anna Nyaoro, Chief, European Audit Section, OIOS  
Ms. Cynthia Avena-Castillo, Professional Practices Section, Internal Audit Division, OIOS

## Management Response

## Audit of the management of the trust fund for local support services at the United Nations Office at Geneva

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNOG should strengthen the governance arrangements for the trust fund for local support services by developing formal guidelines for review of donor proposals prior to acceptance of their contributions, including due diligence checks of non-traditional donors.	Important	Yes	Chief, FRMS	30 June 2019	UNOG comments are reflected in the report. UNOG is going to: 1) Start immediately to document the due diligence checks done for new contributions proposed by non-traditional donors  2) Develop formal guidelines and checklists by end of June 2019
2	UNOG should strengthen controls over the digitization project by establishing a Project Board to ensure effective oversight over the project and the achievement of its objectives in a timely manner.	Important	Yes	Chief, Library	31 December 2018	UNOG comments are reflected in the report. A Project Board will be established in November 2018.
3	UNOG should develop a policy for evaluation of projects based on clearly defined criteria and make appropriate budget provision for such evaluation in the project proposals.	Important	Yes	Chief, FRMS	Immediately (for any new future agreements)	UNOG comments are reflected in the report. However, UNOG would like to emphasize that project evaluation can only be funded from donors. For this reason and as indicated above, UNOG will make every effort to negotiate with the donor an appropriate budget provision.
4	UNOG should institute a mechanism to identify and document linkages to SDGs within each project during the project design phase, where appropriate.	Important	Yes	Chief, FRMS	Immediately (for any new future agreements)	UNOG comments are reflected in the report.

<sup>1</sup> 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.

<sup>2</sup> 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.