



Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

AUDIT REPORT

Audit of the Special Operations Cash Fund at ICTR

25 April 2008

Assignment No. AA2007/260/02

United Nations  Nations Unies

INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

INTERNAL AUDIT DIVISION · DIVISION DE L'AUDIT INTERNE

OFFICE OF INTERNAL OVERSIGHT SERVICES · BUREAU DES SERVICES DE CONTRÔLE INTERNE

TO: Mr. Adama Dieng, Registrar
A: International Criminal Tribunal for Rwanda

DATE: 25 April 2008

REFERENCE: IAD: 08- 012 70

FROM: Dagfinn Knutsen, Director
DE: Internal Audit Division, OIOS



SUBJECT: **Assignment No. AA2007/260/02 – Audit of the Special Operations Cash Fund at ICTR**
OBJET:

1. I am pleased to present the report on the above-mentioned audit.
2. Based on your comments, we are pleased to inform you that we will close recommendation 6 in the OIOS recommendations database as indicated in Annex 1. In order for us to close the remaining recommendations, we request that you provide us with the additional information as discussed in the text of the report and also summarized in Annex 1.
3. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as critical (i.e., recommendations 7 and 8), in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. Hassan Jallow, Prosecutor, ICTR
Mr. Bongani Majola, Deputy Prosecutor, ICTR
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Ms. Maria Gomez Troncoso, Officer-in-Charge, Joint Inspection Unit Secretariat
Mr. Jonathan Childerley, Chief, Oversight Support Unit, Department of Management
Mr. Byung-Kun Min, Programme Officer, OIOS
Mr. Christopher Bagot, Acting Chief, Nairobi Audit Service, OIOS

INTERNAL AUDIT DIVISION

FUNCTION

“The Office shall, in accordance with the relevant provisions of the Financial Regulations and Rules of the United Nations examine, review and appraise the use of financial resources of the United Nations in order to guarantee the implementation of programmes and legislative mandates, ascertain compliance of programme managers with the financial and administrative regulations and rules, as well as with the approved recommendations of external oversight bodies, undertake management audits, reviews and surveys to improve the structure of the Organization and its responsiveness to the requirements of programmes and legislative mandates, and monitor the effectiveness of the systems of internal control of the Organization” (General Assembly Resolution 48/218 B).

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EXECUTIVE SUMMARY

Audit of the Special Operations Cash Fund at ICTR

OIOS conducted an audit of the Special Operations Cash Fund (SOCF) in the International Criminal Tribunal for Rwanda (ICTR). The overall objective of the audit was to assess the efficiency and effectiveness of arrangements for managing the SOCF. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

The SOCF was established in 1997 to support confidential funding of the activities of the Intelligence and Tracking Unit in Kigali and from May 2007, the Special Investigations Unit in Arusha. These confidential expenditures, which amounted to around \$866,000 in the period 2004 to end 2007, are used to track fugitives and to provide for the safety of potential witnesses and informants whose testimonies may lead to the prosecution of accused persons falling within ICTR jurisdiction.

The overall conclusion is that SOCF activities were generally being conducted in an efficient and effective manner, and in compliance with United Nations Regulations and Rules. The monitoring, evaluation and reporting function had improved since the last audit and internal guidelines strengthened. While the financial management of the SOCF had also significantly improved with the recruitment of the Financial Reviewer, current guidelines needed to be updated to incorporate some of the best practices of the Kigali office. There is scope to improve management of the SOCF especially with regards to payments to informants through intermediaries. To address these issues OIOS recommended the following and action is either underway or completed for all issues raised:

- Formally designating an alternate custodian for the SOCF at the Arusha office to ensure continuity of activities during periods of absence of the principal custodian.
- Revising the current guidelines to reflect the split of the imprest amount between Arusha and Kigali, the establishment of appropriate replenishment levels and the use of tracking schedules to show the physical cash in hand.
- Ensuring that the job descriptions of the custodians and certifying officers make reference to their duties and responsibilities for the SOCF.
- Issuing a copy of the key to the safe in which the cash is held to a designated senior official for safekeeping in a secured environment.
- Providing guidance to investigators on the eligibility to receive payments as a source and ensure that adequate supporting documents are obtained for payments to intermediaries.
- Using electronic data encryption for transmitting confidential information.

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I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the Special Operations Cash Fund (SOCF) at the International Criminal Tribunal for Rwanda (ICTR). The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. The SOCF was established in 1997 to support the operational needs of the Office of the Prosecutor (OTP). The SOCF enables confidential funding of the activities of the OTP's Investigation Division - Intelligence and Tracking Unit in Kigali and from May 2007, the Special Investigations Unit in Arusha. These confidential expenditures are used to undertake sensitive operations in the investigation of the genocide, to track fugitives and to provide for the safety of potential witnesses and informants whose testimonies may lead to the prosecution of accused persons falling within ICTR jurisdiction.

3. In Kigali the Financial Reviewer is the custodian of the SOCF and is responsible for the financial management of the fund. The Financial Reviewer reports to the Officer in Charge (OIC), Investigations Division who is also the certifying officer. In Arusha the SOCF custodian is the OTP Legal Advisor who reports to the Deputy Prosecutor who is also the certifying officer. All principal officers of the fund have designated alternates with the exception of the custodian in Arusha.

4. The SOCF was established with an imprest level of \$30,000. In May 2007, the imprest amount was divided equally between ICTR's offices in Arusha and Kigali at \$15,000 each. The management of ICTR had taken steps, since the previous audit in 2002, to improve the internal controls over the SOCF and strengthen guidelines and procedures.

5. The following table represents the SOCF budget and expenditures for the period covered by the audit:

Table 1: SOCF Budget and Expenditure

Period	Budget	Expenditure
2004	\$343,178	\$162,526
2005	343,178	206,576
2006	355,000	313,129
2007	275,000	183,870
Total Disbursements	\$1,316,356	\$866,101

6. Comments made by ICTR are shown in *italics*.

II. AUDIT OBJECTIVES

7. The overall objective of the audit was to assess the efficiency and effectiveness of arrangements for managing the SOCF. This included assessing:

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- (a) The reliability and integrity of SOCF financial and operational information;
 - (b) The adequacy of SOCF guidance and procedures; and
 - (c) Whether SOCF activities were being conducted in compliance with the United Nations Regulations and Rules, and Administrative Instructions.

III. AUDIT SCOPE AND METHODOLOGY

8. OIOS focused on the arrangements put in place by ICTR for the management of SOCF activities from January 2004 to December 2007. Expenditures during that period totalled approximately \$866,000. The audit included an assessment of the SOCF internal control system based on interviews with staff, analyses of applicable data and a review of the available documents and other relevant records. Due to the sensitive and confidential nature of SOCF, OIOS reviewed only the debriefing reports containing the functional codes of informants.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Strategic Management and Governance

Establishment and mandate

9. OIOS conducted an audit of the SOCF during June 2002. The two recommendations on the establishment of the fund made in the report on assignment no. AA2002/06/02 (Review of the Financial Management and Operation Arrangements of the Special Operations Cash Fund of the Investigations Division of ICTR) were fully implemented by ICTR. The SOCF has now been established in accordance with the United Nations Regulations and Rules, custodians of the fund have been designated and permanent files maintained. The mandate was clearly defined and staff involved with its operations were aware of the SOCF policies and procedures.

10. Based on the audit recommendations, the internal guidelines for management of the SOCF were revised and submitted to the Controller at United Nations Headquarters for his review and approval. The comments of the Controller were incorporated with the exception of a standard format for the normal delegation to the custodian which had not been annexed to the revised guidelines. ICTR explained that it was unclear about the standard format referred to by the Controller. However, the custodians in both Arusha and Kigali had signed an interoffice memo generated by the Finance Section, which addressed the issues of personal accountability and responsibility for safekeeping of funds.

Recommendation 1

(1) The ICTR Administration should seek clarification from the Controller on what constitutes the standard format for the normal delegation to the custodian of the Special Operations Cash Fund and include this as an annex to the guidelines to ensure compliance.

11. *The ICTR Administration accepted recommendation 1 and stated that upon receipt of clarification on what constitutes the “standard format”, the OTP will include it as an annex to the guidelines to ensure compliance. Recommendation 1 remains open pending notification that the standard format for the normal delegation of authority to the custodian has been included as an annex to the internal guidelines for the management of the SOCF.*

Accountability

12. ICTR had not determined whether the certifying officer in Kigali, his alternate, the alternate to the Financial Reviewer and the custodian in Arusha needed to complete a financial disclosure statement, to comply with the Secretary-General’s Bulletin (SGB), ST/SGB/2006/6 (Financial disclosure and declaration of interest statements). The SGB requires that all staff whose principal occupational duties relate to handling accounts for which the United Nations has fiduciary or custodial responsibility are required to file a financial disclosure statement or a declaration of interest statement.

Recommendation 2

(2) The ICTR Administration should identify the staff who should make financial disclosures on an annual basis in compliance with ST/SGB/2006/6 (Financial disclosure and declaration of interest statements). The revised list should be sent to the Ethics Office and a procedure should be developed to ensure that the review is conducted on an annual basis.

13. *The ICTR Administration accepted recommendation 2 and stated that OTP will supply to the Administration the name or names of additional OTP staff members who should make financial disclosures in compliance with ST/SGB/2006/6. Recommendation 2 remains open pending receipt of a copy of the list sent to the Ethics Office, of the names of additional OTP staff members required to make financial disclosures and a copy of the procedures dealing with its annual review.*

Designated alternate custodian

14. Adequate arrangements for the identification and appointment of alternate custodians were in place in Kigali but no alternate had been designated for Arusha

to ensure continuity of activities during periods of absence of the substantive officer.

Recommendation 3

(3) The ICTR Administration should formally designate an alternate custodian for the Special Operations Cash Fund at the Arusha office to ensure continuity of activities during periods of absence of the principal custodian.

15. *The ICTR Administration accepted recommendation 3 and stated that the OTP notes this recommendation and wishes to point out that in Arusha the SOCF is used largely in relation to the highly sensitive special investigation. Because of the sensitivity of the investigations and the impact that leaks can have on the work of both the OTP and the rest of the ICTR, it is desirable to limit the exposure of related information to very few persons. So far the OTP has been able to function without an alternate custodian. However, if OIOS insists on an alternate, the OTP will designate an alternate custodian of the SOCF at the Arusha office by 30 May 2008. Recommendation 3 remains open pending receipt of documentation to show that an alternate custodian has been appointed for the SOCF at the Arusha office.*

B. Organizational Structure

16. There was a clear definition of reporting lines and structure. In Kigali the Financial Reviewer reports to the OIC Investigations Division who has overall responsibility for SOCF. The OIC also certifies all SOCF expenditure incurred by the tracking team and reports to the Chief of Prosecutions in Arusha. A legal advisor in OTP is the custodian of the fund in Arusha and reports to the Deputy Prosecutor who is the certifying officer. Reporting lines were clear and understood by all parties involved.

C. Monitoring, Evaluation and Reporting

Monitoring and Reporting

17. The monitoring and reporting activities have improved since the last audit in 2002. The investigators now produce mission and expenditure reports at the end of each mission. A random sample of 15 expense review statements from 2005 to 2007 were checked against the investigators' mission reports to ensure that the activities supported the expenses. The reports agreed to each other and had been duly certified.

Evaluation

18. Adequate arrangements were in place for evaluation. The custodians in Arusha and Kigali reviewed the expense review statements prior to submission to the certifying officers who reviewed these statements and the corresponding mission reports and debriefing notes. A sample review of mission reports revealed no deficiencies.

D. Policies and Procedures

Delegated authority

19. The current internal guidelines, which provide the standard operational procedures for investigation activities including the management and operation of the SOCF, were in accordance with the delegated authority and in conformity with United Nations Financial Rules 104.8 and 104.9. The Controller has authorized the establishment of an Imprest/Petty Cash Fund and has placed SOCF under the direct supervision of the Chief of Investigations who is directly accountable, in addition to the designated custodian, for the safety and utilization of the fund.

Revision of current guidelines

20. The current guidelines for SOCF include the suggested changes made by the Controller, most of which were incorporated in the revision dated 18 August 2005. Improvements in the guidelines were noted since the last audit. The SOCF management, with the support of the Finance Section, implemented the revised guidelines resulting in a strengthening of the internal controls. However, the guidelines did not reflect the May 2007 split of the imprest level between the Arusha and Kigali offices. In addition, some of the best practices used by Kigali to enhance the day-to-day management were not incorporated into the guidelines. This would assist in streamlining the SOCF procedures. This included:

- The establishment of an amount at which the imprest will be replenished so that operations would not be jeopardized due to insufficient funds; and
- The use of a summary tracking schedule with running balances showing the physical cash in hand. This enhances accountability and helps to better monitor the level of the fund at any given time.

Recommendation 4

(4) The ICTR Administration should revise the current guidelines to reflect the division in the Special Operations Cash Fund (SOCF) between Arusha and Kigali and responsibility for the SOCF in each location; the establishment of appropriate imprest replenishment level; and the use of tracking schedules to show the physical cash in hand.

21. *The ICTR Administration accepted recommendation 4 and stated that the OTP agrees to revise the guidelines to reflect the division of the fund between Kigali and Arusha and responsibility for the fund in each location. From previous experience in revising the guidelines, the OTP knows that it takes quite a long time to do so, especially when it involves getting the approval of the Controller. So the OTP estimates that this process will be completed by the end of August 2008. The OTP will also establish an appropriate fund replenishment level and*

the use of tracking schedules to show physical cash in hand by 16 May 2008. Recommendation 4 remains open pending receipt of the revised SOCF guidelines.

E. Human Resources Management

22. Each office has a custodian and a certifying officer which meets the minimum operational requirement to manage the fund. In addition, each principal officer except for the custodian in Arusha has an alternate to ensure continuity of operations.

23. The job descriptions of the custodians, the certifying officers and the alternates do not include any reference to their duties and responsibilities for SOCF.

Recommendation 5

(5) The ICTR Administration should ensure that the job descriptions of the custodians and certifying officers make reference to their duties and responsibilities for the Special Operations Cash Fund.

24. *The ICTR Administration accepted recommendation 5 and stated that the OTP will amend the job descriptions of the custodians and alternate custodians according to this recommendation. It should be noted that the Financial Reviewer's job description already defines these duties. Recommendation 5 remains open pending receipt of the amended job descriptions of the custodians and certifying officers incorporating their duties and responsibilities for the SOCF.*

F. Financial Management

Improved management

25. The SOCF management improved significantly following the recruitment of the Financial Reviewer in Kigali. Some of the measures introduced included closer monitoring of the advances to investigators resulting in the timely liquidation of advances, monthly reporting to the finance section and the use of real time schedules for tracking funds.

SOCF Budget

26. In view of the unpredictability of events and security concerns, a detailed plan was not developed. Instead a broad plan was prepared for each investigative team on an annual basis. OIOS was satisfied that the planning process was adequate. The annual budget was prepared based on past experience as well as commitments to protected witnesses. A review of budget against expenditure for the period 2004 to 2007 showed that expenditure was always within the budget allocation with a utilization rate of around 65 percent.

Security and maintenance of the fund

27. The custodians in Kigali and Arusha both maintained a safe in their office from which disbursements were made. At both offices only one copy of the key to the safe was available, which could hamper operations if the key was lost.

Recommendation 6

(6) The ICTR Administration should ensure that a copy of the key for the safe in which the fund is kept, is held by a designated senior official in a secured environment.

28. *The ICTR Administration accepted recommendation 6 and clarified that there are two keys in Arusha although both are currently held by the custodian of the SOCF. The OTP agrees that the spare key should be held by a designated senior official in a secure environment. The OTP in Arusha has ordered a safe in which the spare key will be kept under the care of the Deputy Prosecutor. The certifying officer in Kigali has a safe in his office and can keep the spare key of the SOCF. However, because of the delicate nature of the situation involved, he recommends that the spare key is put in an envelope under seal and wax that can be broken only in the presence of the custodian of the SOCF, and, in case he/she is absent, in the presence of two other officers including the certifying officer. Based on the action taken by ICTR, recommendation 6 has been closed.*

Certifying and approving function

29. All the certifying officers have been approved by the Controller and have signed a declaration stating that they have read and understood their responsibilities. A review of supporting documents revealed that documents were reviewed, certified and dated in accordance with Financial Rule 105.5 of the United Nations Financial Regulations and Rules. In the absence of the designated certifying officers the alternates performed the certification function. The custodians receive and review expenditure reports which were then forwarded to the certifying officers for further review and signature. The approving function was carried out by the finance section. The monthly allotment reports provided by the finance section to certifying officers and other program managers were used to check fund availability. The review and certifying functions were properly carried out and the obligations were charged against the proper budget line.

Inappropriate payments of sources

30. The review of supporting documents revealed that in two instances three public officials had received payments from investigators for providing information. The Investigations Division clarified that these officials were acting as intermediaries on behalf of the actual sources but this was not evident from the documentation. There was no written policy to provide guidance on the payment from SOCF through intermediaries.

Recommendation 7

(7) The ICTR Administration should provide guidance to investigators on the eligibility to receive payments as a source and ensure that for payments to intermediaries, adequate supporting documents are obtained.

31. *The ICTR Administration accepted recommendation 7 and stated that the OTP will revisit the issue and see what guidance can be developed. It should be noted that the sensitive nature of the investigative work done by OTP investigators poses huge risks to informants. This sometimes makes it necessary to conceal payments by routing payments through third parties. While the OTP would endeavour to comply with this recommendation, it will be difficult to do so if doing so may lead to the murder of the informant. In matters of informants, every informant/source has a handler. The situation brought out in the audit report does not represent the practice in the Investigations Section. However, where circumstances compel payments to be made to intermediaries, the OTP will ensure that adequate supporting documents are obtained. In addition, the cases will receive special follow up attention from the sources coordinator. Recommendation 7 remains open pending receipt of the guidance given to investigators on the eligibility to receive payments as a source and ensure that for payments to intermediaries, adequate supporting documents are obtained.*

G. Confidentiality

Maintenance of records and confidentiality aspects

32. The Financial Reviewer kept the original documentation supporting SOCF payments. To ensure the confidentiality of the information, the mission reports relating to the payments were maintained and secured by the archivist and the names and identities of informants were codified. Based on the recommendations in the previous audit report, a file is now kept for each mission, which contained all the documentation such as mission orders and final mission reports. However, electronic messages and reports sent from the field to the Division Headquarters were not encrypted increasing the vulnerability of the data. The Chief of the Electronic Data Processing/Management Information Systems Unit explained that discussions were held with the OTP and the Chambers on how e-mail transmissions and reports should be encrypted but no decision was taken.

Recommendation 8

(8) The ICTR Administration should ensure that data encryption is used for transmission of all confidential information electronically.

33. *The ICTR Administration accepted recommendation 8 and stated that the OTP urges the Administration to provide the technical support referred to therein. Recommendation 8 remains open pending receipt of evidence that data encryption is used for transmission of all confidential information electronically.*

V. ACKNOWLEDGEMENT

34. We wish to express our appreciation to the Management and staff of ICTR for the assistance and cooperation extended to the auditors during this assignment.

STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	C/O ¹	Actions needed to close recommendation	Implementation date ²
1	O	Notification that the standard format for the normal delegation of authority to the custodian has been included as an annex to the internal guidelines for the management of the SOCF	Not provided
2	O	Receipt of a copy of the list sent to the Ethics Office, of additional OTP staff members who should make financial disclosures and a copy of the procedures dealing with the annual review.	13 April 2008
3	O	Receipt of documentation to show that an alternate custodian has been appointed for the SOCF at the Arusha office.	30 May 2008
4	O	Receipt of the revised SOCF guidelines.	31 August 2008 for revising the guidelines 16 May 2008 for establishing the reorder level
5	O	Receipt of the amended job descriptions of the custodians and certifying officers incorporating their duties and responsibilities for the Special Operations Cash Fund.	30 May 2008
6	C	Action completed.	
7	O	Receipt of the guidance given to investigators on the eligibility to receive payments as a source and ensure that for payments to intermediaries, adequate supporting documents are obtained.	30 May 2008
8	O	Receipt of evidence that data encryption is used for transmission of all confidential information electronically.	As soon as the Administration has provided the technical support required.

1. C = closed, O = open

2. Date provided by ICTR in response to recommendations.