

**Opinion and Report of the External Auditor**  
**on the financial statements of**  
**the Special Court for Sierra Leone**  
**for the financial periods ended**  
**30 June 2006 and 30 June 2007**

## CONTENTS

	Paragraphs	Page
OPINION OF THE EXTERNAL AUDITOR		3
REPORT OF THE EXTERNAL AUDITOR		
A. Introduction	1 – 5	4
1. Previous recommendations not fully implemented	6 – 7	5
2. Main recommendations	8 – 9	5
B. Detailed findings and recommendations		
1. Financial overview	10 – 14	6
2. Human resources management	15 – 40	7
3. Non-expendable property	41 – 44	9
4. Fuel stock	45 - 47	10
5. Security arrangements	48 – 49	10
6. Financial management	50 – 53	11
7. Project management	54 – 59	11
8. Official travel	60 – 65	12
C. Acknowledgement	66	13
Annex		
Summary of status of implementation of recommendations for the financial period ended 30 June 2005		16

## OPINION OF THE EXTERNAL AUDITOR

To the Management Committee

I have audited the financial statements of the Special Court for Sierra Leone for the financial periods ended 30 June 2006 and 30 June 2007, respectively. These financial statements are the responsibility of the Registrar. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted the audit in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the specialised agencies and the International Atomic Energy Agency and conforming to International Standards on Auditing. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Registrar, as well as evaluating the overall financial statement presentation. I believe that the audit provides a reasonable basis for the audit opinion.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Special Court for Sierra Leone as of 30 June 2006 and 30 June 2007, and the results of its operations and cash flows for the periods then ended in accordance with the United Nations System Accounting Standards.

Further, in my opinion, the transactions of the Special Court for Sierra Leone, which I have tested as part of my audit, have in all significant respects been in accordance with the Financial Regulations and Legislative Authority.

In accordance with Article X of the Financial Regulations, I have also issued a long-form report on my audit of the financial statements of the Special Court for Sierra Leone.

*Auditor-General*

Pretoria, Republic of South Africa

18 February 2008



A U D I T O R - G E N E R A L

## REPORT OF THE EXTERNAL AUDITOR

### A. Introduction

1. I have audited the financial statements of the Special Court for Sierra Leone (Court) for the financial periods ended 30 June 2006 and 30 June 2007, respectively. The audit was conducted in conformity with Article X of the Financial Regulations and Rules of the Court, as well as the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency and in conformity with International Standards on Auditing. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

2. The audit was conducted primarily to enable me to form an opinion as to whether the financial statements of the Court presented fairly its financial position as at 30 June 2006 and 30 June 2007, respectively and the results of operations and cash flows for the periods then ended, in accordance with the United Nations System Accounting Standards. This included an assessment as to whether the expenditures recorded in these financial statements had been incurred for the purposes approved by the Management Committee of the Court and whether income and expenditure had been properly classified and recorded in accordance with the Financial Regulations and Rules. The audit included a general review of financial systems and internal controls and a test examination of accounting records and other supporting evidence to the extent that I considered necessary to form an opinion on these financial statements.

3. In addition to accounts and financial statements, the audit covers those areas in the additional terms of reference governing the audit of the Court, as outlined in the annex to the Financial Regulations. This includes an audit of accounts, including all trust funds, that I deemed necessary in order to satisfy myself that:

- a) The financial statements are in accordance with the books and records of the Court;
- b) The financial transactions reflected in the statements are in accordance with the regulations and the financial rules, the budgetary provisions and other applicable directives;
- c) The securities and moneys on deposit and on hand have been verified by certificates received directly from the Court's depositaries or by actual count; and
- d) The internal controls, including internal oversight, are adequate in the light of the extent of reliance placed thereon.

4. The present report covers matters that, in my opinion, should be brought to the attention of the Court. The observations and conclusions were discussed with the senior officials whose views have been reflected in this report.

5. A summary of the main recommendations is contained in paragraph 8 of this report. The detailed findings are discussed on paragraphs 10 to 65.

## 1. Status of implementation of recommendations

6. I have reviewed the measures taken by the Court to implement the recommendations made in my report for the year ended 30 June 2005. The annex to this report summarises the status of implementation of all the previous recommendations. Of a total of 23 recommendations, the Court had implemented 19 (83 per cent), while four (17 per cent) were under implementation.

7. The four recommendations not yet fully implemented, relate to the management of non-expendable property and security arrangements at the Court. My further comments on these specific outstanding recommendations are addressed elsewhere in the present report.

## 2. Main recommendations

8. My main recommendations are that the Court should:

### *Human resources management*

a) Use the Framework for Human Resources Management adopted by the International Civil Service Commission (ICSC) in developing, reviewing and improving its personnel policies and procedures (par. 18);

b) Urgently review and enforce its staff selection processes to ensure the recruitment of competent candidates for upper-level posts, where the need for individuals with management and personnel skills is most critical (par. 26);

c) Demonstrate rigorous application of the post classification standards set by the ICSC (par. 27);

d) Observe its regulatory environment created for ensuring fairness and transparency in the recruitment process (par. 35);

### *Non-expendable property*

e) Renew its endeavours to improve the management of and control over its assets and the proper recording thereof, as well as to rectify the deficiencies noted in this regard (par. 43);

### *Fuel stock*

f) Re-establish the integrity of the expendable database on fuel, strengthen the controls over the receipt and issue thereof and ensure full compliance with the fuel operating procedures (par. 47); and

### *Security arrangements*

g) Expedite the development and documentation of a formal information technology security policy and a disaster recovery and business continuity plan (par. 49).

9. The other recommendations are made in paragraphs 30, 31, 40, 44, 53, 59, 64 and 65.

## B. Detailed findings and recommendations

### 1. Financial overview

#### *Result of operations*

10. The operations of the Court are mainly funded by voluntary contributions, subvention grants and prior year savings upon effecting liquidations of outstanding balances that were carried forward from previous mandates. I performed a limited financial overview of the Court by comparing the results of its operations for the 2006/07 and 2005/06 financial periods, respectively. In the performance of this review, I considered the financial position of the Court as of 30 June and 30 November 2007, respectively.

11. The year-on-year decrease in income from US\$36.4 million to US\$28.5 million can mainly be ascribed to the decrease in subvention funds received from the United Nations.

12. Personnel costs comprised 67 per cent (2005/06: 73 per cent) of the total expenditure. The overall increase therein is mainly attributable to the application of the United Nations salary scale adjustments, as well as the increased judicial and institutional activities associated with the operation of a criminal court during the trials. Contractual services and general operating expenditure approximated 11 (2005/06: 9 per cent) and 9 per cent (2005/06: 5 per cent), respectively, while the remaining expenditure accounted for 13 per cent (2005/06: 13 per cent) of the total expenditure. On the whole, the overall increase in total expenditure was also due to the creation of a SCSL sub-office in The Hague, resulting in a net shortfall of US\$2 million, as compared to a net excess of US\$11.6 in the previous financial period.

#### *Financial position*

13. As of 30 November and 30 June 2007, respectively, it would appear, at face value, as if the Court is in a financially sound position, with a fund balance of US\$5.7 million as of 30 November 2007. However, during the period 1 July to 30 November 2007, the Court have required, on average, US\$2.1 million per month to cover personnel costs and US\$440,000 for operational costs. These costs are steadily increasing, with total expenditure for November 2007 being in excess of US\$3.1 million. **Therefore, if the Court continues at the present rate and fails to secure additional funding in the near future, the current available funding will be exhausted by February 2008.**

#### *Unliquidated obligations*

14. I had previously raised my concern about the level of funds encumbered as unliquidated obligations. Of even greater concern, was the proportion of these obligations that related to prior mandates, effectively restricting the Court from using these funds for more pressing matters. In this regard, I would like to commend management for the marked progress it had made through its ongoing review of the validity of these obligations. To this end, unliquidated obligations decreased significantly from US\$6.7 million for the 2004/05 financial period to US\$4.9 million for 2006/07 (2005/06: US\$4.9 million). Of these, unliquidated obligations that relate to prior mandates now represent 11 per cent only of total obligations, as opposed to 38 per cent and 41 per cent in 2004/05 and 2005/06, respectively.