

**INTERNATIONAL CRIMINAL COURT**  
**Assembly of States Parties**  
The Hague – 21 November 2016  
**Presentation of the Reports of the External Auditor**

Mr. President,  
Ambassadors,  
Delegates,  
Ladies and Gentlemen,

I have the pleasure to be with you today to present the reports issued by your External Auditor over the course of 2016, pursuant to Article 12 of the Financial Regulations and Rules of the International Criminal Court.

Let me first convey to you the sincere regrets of Mr. Didier Migaud, First President of the Court of Auditors and External Auditor of the ICC, who, as a result of pressing national duties, has had to remain in Paris.

In September 2016 I took over from my colleague, Mr. Richard Bellin, who addressed your Assembly in November 2016. Mr. Christian Cardon is with me today; he headed our audit on the *ReVision* project.

I would like to give you a brief overview of five audit reports which deal with the following:

- the financial statements of the International Criminal Court for the year ended 31 December 2015,
- the financial statements for the Trust Fund for Victims for the year ended 31 December 2015,
- the financial reporting and management of the Permanent Premises Project of the International Criminal Court for the financial year 2015,
- the implementation of the budget for the Permanent Premises Project,
- the *ReVision* project on the reorganisation of the Registry of the International Criminal Court.

I shall now turn to the first audit report, which relates to the **financial statements for the year ended 31 December 2015**.

You have no doubt seen that this year we are issuing a qualified audit opinion on the financial statements of the Court. The reason for our qualified opinion lies in the difficulty in assessing within the balance sheet the effect of the ICC premises. This difficulty stems from the fact that the Court was not able, either prior to or during our audit visit, to sign a final agreement with Courtys settling the various commercial disputes which have arisen in the course of the project. Indeed, only your Assembly can authorise the signature of such an agreement, and the External Auditor was not in a position, when carrying out this audit, to prejudge either the outcome of the discussions with the constructor, or your decision as to whether to authorise an agreement, or the final amount that might be settled upon. Let me also recall that this position is consistent both with the international accounting standards that we apply, and with point 8 of the Annex to the Financial Regulations and Rules of the Court, which requires the Auditor to refer in its opinion to any elements for which it has been unable to obtain sufficient evidence.

If the contract is finally signed, after authorisation from your Assembly, and if the Court's accounts are revised in consequence, as is duly permitted in accordance with international accounting standards, then the External Auditor will be able to revise its opinion, in accordance with international standards on auditing.

Beyond this qualification, in our audit report we make six recommendations.

The first recommendation is aimed, on the one hand, at putting in place a system to monitor the effective resources of the Court over the course of the year, which will allow for a clearer comparison with the staffing table in the budget, and, on the other hand, at performing payroll reconciliations. We have observed that steps could indeed be taken in this regard. The second recommendation is aimed at reclassifying spending on individual contractors and consultants by placing this within the category of service costs, so as to make it easier to read the accounts.

The following two recommendations relate to the permanent premises. On the one hand, it is recommended that a care and maintenance plan be finalised as soon as possible, and that the accounting implications be considered, and, on the other, that an amortization plan be agreed with the host country for the loan taken to finance part of the project, so as to provide details regarding the amortized capital, the interest and the annual payments due.

Lastly, the final two recommendations contained in our audit report may appear technical in nature but are key in order to ensure the continuing quality of the accounts: one relates to the configuration of the budgetary and accounting software, in order to better distinguish between the entries which have a budgetary impact and those which have an accounting impact; the other recommendation emphasises, in particular, the need to maintain stability and security of the accounting function within Registry groups.

I would like to take the opportunity to underscore the importance of each of these recommendations, which, beyond questions of accounting technique, are aimed at making it easier to read financial statements, and, by extension, to facilitate their use; in fact, accounts provide information which is complementary to budgetary data, which allows for a clearer picture of the financial situation.

With regard to the actual accounts themselves, we have noted in our report that the 2015 financial year ended in an accounting deficit of 6.7 M€ compared to a surplus of 1.8 M€ in 2014. This situation is, more specifically, the result of a significant increase in personnel expenses, of 12.5 M€ i.e. an increase of + 14,5%, from 2014 to 2015.

I shall now turn to our **report on the financial statements of the Trust Fund for Victims**. We are issuing an unqualified opinion on these financial statements, which attests to their compliance with our accounting standards.

We are also making four recommendations in our report. They can be grouped together under the theme of strengthening internal control, with reference to which we would suggest a few courses of actions, concerning:

- first, the definition of the performance assessment criteria in the file documentation submitted by implementing partners, to facilitate the monitoring of these files and to permit comparisons;
- secondly, the provision of training in financial matters to officials responsible for field operations;
- thirdly, the need to include within the remit of officers in charge of field operations the obligation to conduct internal controls of the expenses incurred by implementing partners;
- and finally, to strengthen the personnel teams in the field.

In general, strengthening internal control over financial reporting also has a positive impact on the management of operations themselves, quite apart from the impact on the accounts and the budget. This is therefore a useful approach in all respects.

I shall now make a joint presentation to you of the findings and recommendations contained in our two reports concerning the permanent premises project. The first is our **report on the financial reporting and management of the permanent premises project**, and the second is the **audit report on budget implementation for the permanent premises project**.

With regard to the budgetary aspects of the project, we have found an overrun of approximately 5% of the total estimated cost, whichever assumptions taken and whichever

points of comparison used. This overrun is minor compared to what is commonly seen in operations of the same scale.

The premises were delivered on time, and correspond to the initial specifications, even though construction defects have been observed.

We have, however, identified three types of weakness in the implementation of the budget for this project:

- the first weakness resides in the late decision, taken in 2013, to integrate the costs of the transition programme into the budget for the project, which undermined the overall structural parameters of the project, when certain budgetary risks then materialised;
- the second weakness relates to the system of governance of the project; we have found that the absence of the prior establishment of mechanisms for the feedback of information from the Project Director to the Oversight Committee has led to a certain distrust between the different groups involved in the project;
- the design and use of the contingency reserve have played a central role in the cost overruns, as a significant part (5.5 M€) of this reserve – which totals 12.7 M€ – was in fact unavailable as it was reserved for transactions which were not at all unforeseen in nature.

Other than the budgetary aspects, a first comment needs to be made about the future. The project does not come to an end with the delivery of the premises. We could even talk of the continuation of the project, at least in terms of it entering into its mature phase. It is important, in the first place for operational reasons, but also for budgetary reasons, to anticipate what future expenditures will be necessary for the transfer of reserves. Indeed we find somewhat unrealistic the assumption that there will be absolutely no transfer of reserves during the first ten years of use of the premises, i.e., until 2026, given that the Project Director's Office had already anticipated this need as of the sixth and ninth years – without taking into account the unforeseen elements already highlighted in earlier reports – in order to meet any potential requirement to ensure standards of high environmental quality.

Except for this first element, I shall not go into detail with regard to the nine recommendations contained in our two reports on the subject, but I would like to emphasise a few of them, which are of financial and operational significance, as these two aspects are inextricably linked: the preservation of the real estate assets of the ICC is first achieved through operational measures.

We recommend that the project director take every care to ensure, through the project manager, that steps are taken to verify the rectification of all construction defects. In this regard, we have seen that the company specialised in providing contracting assistance for the construction and which was supporting the Project Director, was increasingly given responsibilities that went beyond what would normally be given to such an assistant to the contracting authority; and, moreover, this fact contributed to the rise in costs for this service.

In addition, we recommend that the Security and Safety Section of the Court organize evacuation exercises in accordance with the legislation of the host country, and in coordination with the Dutch police and emergency services. This subject is not unconnected with the previous one: we have indeed seen that the Security and Safety Section has been much in demand as a result of the above-mentioned construction defects, which has meant that it has had to reduce, over time, the number of these evacuation exercises. We can see here the overlap between operational activity and budgetary impacts.

We also recommend that the Registry, on the one hand, organize a satisfaction survey with the users of the permanent premises, and, on the other, make available to these same users appropriate educational tools, relating, in particular, to electronic appliances (access management, office air-conditioning systems, audio-visual devices). There is therefore still

some work to be done on this project, so as to make the best use of these premises, which are now the Court's headquarters.

I shall at this juncture finish my presentation with an overview of **our report on the ReVision project**.

The first point is one of method. For this audit, we carried out a preparatory mission during the month of April, followed by another mission during the month of September. We reviewed an abundant amount of documentation, several hundred pages long, and we carried out a great number of interviews.

Our conclusions are as follows. This project on the reorganization of the Registry of the ICC was justified both at a technical and at a political level. It has been duly completed within the timeframe established.

It has made it possible to redefine the values and principles of the Registry, to rationalise its organization into main divisions, to limit the number of direct reporting lines to the Registrar, to strengthen the capacities of field offices and their coordination structure, and to review the overall staffing structure, which represents a significant achievement.

The project has allowed for certain limited savings, linked to the abolition of 10.4 positions corresponding to a cost of 443.8 K€, which has been more than offset as of 2016 by the increase in staffing numbers and funding triggered by the relocation to the Court's much larger permanent premises and by the increase in the number of cases before it.

The implementation of the *ReVision* project has been challenged with reference to the following three issues:

- **the recruitment of three external figures for the project team**, without following the regulatory selection procedure, on the basis of the urgency of the project and the non-obligatory character of this selection procedure;
- **the modalities for the separation from service of certain staff members**, the regularity of which will only be known once the ruling of the Administrative Tribunal of the International Labour Organization has been given, following the appeals brought before it by various officials;
- **and the absence of prior authorisation of the Assembly of States Parties to make use of the reserve for possible commitments (EBLF)** to finance part of the cost of the project, a situation which, however, has since been regularised.

It is still too early to judge the long-term effectiveness of the project, because the process of implementation of a large number of recommendations on the question of method has barely begun, due, in particular, to their very detailed character and to the significant vacancy rates at the Registry.

We have four recommendations to make:

The first concerns the publication and dissemination to ICC staff of the final report of the *ReVision* project, excluding confidential information on individual staff members.

The second concerns the need to put in place standard operating procedures and digital workflows, to help staff understand the new working methods to be applied within the Registry's structures as reorganised by the project.

If the definition of new working methods requires outside assistance, our third recommendation is that the requisite firm of consultants or specialists be selected following a competitive bidding process in compliance with ICC rules.

Finally, we recommend that the Registry publish a memorandum for the attention of the States Parties explaining the precise impact – in terms of the ICC's staffing and budgetary requirements – of the Court's relocation to the new premises and of the increase in judicial activity.

I have thus finished my presentation of the five reports that your External Auditor has submitted to you in 2016 with reference to the 2015 financial year.

Mr. President, Ladies and Gentlemen, may I thank you for your kind attention and add that I am at your disposal, along with Christian Cardon, to answer any questions that you may have.

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