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**Trust Fund for Victims
financial statements for the period
1 January to 31 December 2007**

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Letter of transmittal

30 March 2008

In accordance with Financial Regulation 11.1, I have the honour to submit the financial statements of the Trust Fund for Victims for the financial period 1 January to 31 December 2007.

(Signed) Silvana Arbia
Registrar

Mr. TJ Burr
Comptroller and Auditor General
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External Auditor's Report 2007

The audit of the financial statements of the Trust Fund for Victims for 2007

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Executive Summary

- The overall results of the audit – an unqualified audit opinion.
- Financial results, noting a significant decline in the level of voluntary contributions.
- The need to ensure appropriate administrative arrangements to account for donations made for specific purposes.
- Administrative, reputational and fraud risks arising from the introduction of a on-line donations system.
- Risks involved with over reliance on general temporary assistants.
- Progress on prior year recommendations.

Overall results of the Audit

1. We have audited the financial statements of the Trust Fund for Victims in accordance with the Financial Regulations and in conformity with International Standards on Auditing issued by the International Auditing and Assurance Standards Board.

2. The audit examination revealed no weaknesses or errors which we considered to be material to the accuracy, completeness and validity of the financial statements; and the audit opinion confirms that these financial statements present fairly, in all material respects, the financial position as at 31 December 2007 and the results of operations and cash flows for the period then ended, in accordance with United Nations System Accounting Standards and the Trust Fund for Victims stated accounting policies.

3. The main observations and recommendations from our audit are summarised below, with a more detailed commentary in the section on Detailed Findings. Action taken by management in response to our previous year's recommendations, for 2006, is set out at **Annex A**; and the scope and approach of the audit, which were communicated to the Registrar in a detailed audit strategy, is summarised at **Annex B**.

Main findings and recommendations

Financial Results

4. The Fund received voluntary contributions of €578,84 in 2007 compared to €1.1 million in 2006. This was attributed to the Secretariat's focus on undertaking operation rather than fundraising activities in the year, and that the Fund's regulations prevented the donation of funds for a specific use. The overall cash balance continues to rise as income exceeded expenditure; and, as a result of the significantly higher cash balances held, interest income increased to €103,599. The Fund made disbursements to two projects in the period which increased total expenditure from €5,821 in 2006 to €81,180. Although a significant increase, project activity was only initiated in the latter half of 2007 and total expenditure remains relatively low when compared to income or current fund balances.

Voluntary Contributions for Specific Purposes

5. We note that in December 2007 the Assembly of States Parties approved a change to the Trust Fund for Victim's regulations allowing donors to specify the use of their voluntary contribution. In view of this significant change we encourage the Secretariat to ensure that such voluntary contributions are recorded and accounted for on a donor by donor basis, so that financial information on the funds received and the use of these funds can be obtained to provide reports to donors. This will provide necessary transparency and accountability to donors who may require such reports.

On-Line Donations

6. We also note the Fund's intention to introduce an on-line donation facility. We have identified a number of risks involved with the introduction of such a facility including the additional administrative burden and the impact on the limited resources of the Fund, the risk of receiving donations from inappropriate sources and the possibility of this facility being used for money laundering where donations are made in error and then requested to be repaid. We welcome the Fund's initiative to make arrangements to vet such donations.

Use of General Temporary Assistants (GTAs)

7. Our review of the staffing structure of the Fund shows that the Fund has only two permanent members of staff and that 70 percent of posts are filled by GTAs. We have identified the risks involved with a disproportionate reliance on temporary staff. These risks include high staff turnover, reduced commitment to the Fund's objectives where staff are expected to be in post for a short period of time and the loss of institutional knowledge at short notice in an organization where such staff fill key posts. While noting that temporary staff have been recruited through a competitive process and therefore could be made permanent, we encourage the Fund to work to mitigate the risks identified.

Progress on Previous Audit Recommendations

8. In our 2006 report we made recommendations on accounting structure, administrative resource and foreign currency management. We are pleased to note that the Fund's Secretariat are making progress to address these recommendations. We will continue to monitor their progress in implementing our recommendations.

Detailed report findings

Financial results

9. The incoming resources of the Fund decreased substantially during 2007, with voluntary contributions decreasing from €1,135,667 in 2006 to €578,584 in 2007. However, due to the significant year on year increases in the overall fund balance, income from interest has increased from €37,201 to €103,599 in the period. Total expenditure rose substantially from €5,821 in 2006 to €81,180. This was mainly due to the fact that the Fund began disbursements for projects in the year. The remaining expenditure comprised bank charges and audit fees for 2007.

10. The overall Fund balance increased from €2,450,708 in 2006 to €3,051,711. This increase was directly attributable to voluntary contributions received in year remaining in excess of the expenditure incurred.

Voluntary Contributions for Specific Use

11. There was a significant decrease in the level of voluntary income received in the period. We investigated this decline in contributions and the key factors with the Fund's Secretariat. The main reasons for the decline are that:

- in 2007 the Fund focussed on undertaking operational activities rather than fundraising and
- until the end of 2007, the Regulations of the Trust Fund for Victims did not permit donors to earmark their donation for a particular activity or use. (ICC-ASP/4/Res.3/Paragraph 27)

12. It had become clear that the inability to designate funds for specific purposes is a point of contention for some State Parties and other organizations whose regulations or policies prohibit open-ended donations. Without the ability to stipulate a specific use for the donation, such donors may be reluctant or unable to pledge funds.

13. However in November 2007, the Secretariat of the Fund proposed a change to the regulations and this was endorsed by the Fund's Board. The Assembly of States Parties approved this amendment in December 2007 and initial feedback from the Secretariat is that this change has improved income generation in 2008.

14. While we see this as an important and appropriate change to the regulations, the Fund now needs to ensure that their accounting structure can monitor all funding nominated for a particular use and ensure that this can be separately identified. The Secretariat should be able to segregate, and report on all income and expenditure relating to a donation for a specific purpose, as this information will now be of particular interest to donors.

15. In previous years we have recommended improvements to the accounting system's functionality to improve reporting transparency; but with the advent of donations for specific purposes, it is essential that the Secretariat implement an adequate monitoring system to manage and report on these donations.

Recommendation 1:

We recommend that the Secretariat ensure that there is an appropriate system in place to identify, monitor and report on all income and expenditure relating to donations for specific purposes. This will enable the Secretariat to provide accurate reports to donors on the use of these funds, and provide transparency and accountability for funds provided for specific purposes.

On-Line Donations

16. During our audit it was noted that the Secretariat plans to introduce an on line donations facility on the Fund's website, when this has been upgraded. While we understand the rationale for such a decision, there are some key risks that should be considered in the introduction of any such facility:

- Secretariat may not have sufficient administrative resources to manage a high volume of donations that such a facility may elicit for the organization;
- There is a risk that donations could be received from inappropriate sources; and
- There is a risk that the facility could be open to abuse by money launderers making donations in error and requesting refunds.

17. It is important to recognise the level of reputational damage that could occur from the failure to correctly manage and vet the potentially high level of incoming donations; that an on-line system could generate.

18. Initial plans to use an intermediate vetting agency and use a transit account for holding all funds prior to vetting will provide good mitigation against inappropriate donations; but this does not address the potential increase in work required to manage this new income stream. In addition, it is unlikely that all donations will be vetted as a predetermined threshold will be set for vetting purposes.

Recommendation 2:

We recommend that the Secretariat ensure that it has adequate administrative resources in place to effectively manage the introduction of an on-line donation facility prior to its introduction.

We also recommend careful consideration of the level at which the donation vetting threshold is set. This should be low enough to provide adequate protection to the Fund to vet significant donations, but high enough to prevent the cost of vetting becoming prohibitively expensive and materially reducing the value of donations being made online.

General Temporary Assistants (GTAs)

19. During the audit we looked at the level of utilisation of temporary staff at the Fund. At the time of our review there were two established posts (the Director and his assistant) and five general temporary assistant (GTA) posts. As the Fund is still effectively in its infancy, we understand the need for staffing flexibility but having over 70 per cent of staff on temporary contracts may give rise to some risks to the organization:

- Temporary staff may be more likely than permanent staff to leave for a permanent position elsewhere;
- Temporary staff may be less committed in their role and to the objectives of the Fund; and

- Higher turnover of key staff on temporary contracts will give rise to the loss of essential knowledge of the Fund's operations.

20. It is important to note that the final point is of particular importance to the Fund due to its small size. Under the current arrangements, temporary staff hold key positions and their knowledge may not be replicated elsewhere in the organisation.

Recommendation 3:

We recommend that the Secretariat endeavour to secure established posts for key roles with the Secretariat to reduce the risk of high turnover of key staff. The Secretariat should ensure that administrative procedures are documented in a usable form as this will ensure that key information is not lost through temporary staff turnover.

Follow up to Prior Year Audit Recommendations

21. In our 2006 report we made recommendations relating to the SAP account coding structure, administrative support requirements and foreign currency management. We have followed up on these recommendations and the Secretariat's response to our recommendations are summarized in the report at Annex A. We will continue to monitor their progress on improvements to the accounting structure and the management of foreign currency disbursements for recently initiated projects.

Acknowledgement

22. We are grateful for the assistance and co-operation received from the International Criminal Court's Trust Fund for Victims and, in particular, from the Registrar and his staff during the course of our audit.

(Signed) Mr. TJ Burr
Comptroller and Auditor General, United Kingdom
External Auditor

Annex A

Follow up of Prior Year Recommendations

Rec	Recommendation	Action Plan	Expected completion date	Audit Comment
1	We recommend that the Fund consider improving the coding structure for its activities in the SAP accounting system, to ensure better financial reporting and the security of the Fund's data related to victims.	It is the intention of the Fund to view the SAP coding structure utilized by the World Food Programme (WFP), given their extensive financial reporting, as a basis to improve the coding structure at the Court. Moreover, it is also planned to review how the security of victims' data is being treated by the Court. If deemed necessary the Fund will extend its review to include other entities dealing with victims.	Ongoing	We will continue to monitor the Fund's progress in improving its accounting structure to enhance transparency and accountability.
2	We further recommend that the Fund review the administrative support requirement to discharge its functions and ensure that an appropriate level of support is available.	The fund has included provision for a new post as part of its 2009 proposed budget to ensure an appropriate level of support is available as the Funds' activity expands.	December 2008	We will continue to monitor and report if appropriate.
3	We also recommend that the Fund consider the issues presented by working with several different currencies to make payments to victims; and the way in which exposure to exchange rate fluctuations will be managed.	Given the Funds' recent commencement with project activity the Fund plans to monitor its activity over the next two years to enable the Fund to take a decision which is based on actual experience.	Ongoing	We will follow up on the Fund's payment and currency management procedures over the next two years.

Annex B

Scope and Audit Approach

Audit Scope and objectives

Our audit examined the financial statements of the Trust Fund for Victims for the financial period ended 31 December 2007 in accordance with the Financial Regulations. The main purpose of the audit was to enable us to form an opinion on whether the financial statements fairly presented the Fund's financial position, its surplus, funds and cash flows for the year ended 31 December 2007; and whether they had been properly prepared in accordance with the Financial Regulations.

Audit Standards

Our audit was conducted in accordance with International Standards on Auditing as issued by the International Auditing and Assurance Standards Board. These standards required us to plan and carry out the audit so as to obtain reasonable assurance that the financial statements are free from material misstatement. Management were responsible for preparing these financial statements and the External Auditor is responsible for expressing an opinion on them, based on evidence obtained during the audit.

Audit Approach

Our audit included a general review of the accounting systems and such tests of the accounting records and internal control procedures as we considered necessary in the circumstances. The audit procedures are designed primarily for the purpose of forming an opinion on the Fund's financial statements. Consequently our work did not involve detailed review of all aspects of financial and budgetary systems from a management perspective, and the results should not be regarded as a comprehensive statement of all weaknesses that exist or all improvements that might be made

Our audit also included focused work in which all material areas of the financial statements were subject to direct substantive testing. A final examination was carried out to ensure that the financial statements accurately reflected the Fund's accounting records; that the transactions conformed to the relevant financial regulations and governing body directives; and that the audited accounts were fairly presented.

Statement I

Trust Fund for Victims
Statement of income and expenditure and changes in fund balances
for the period ending 31 December 2007
(in euros)

	2007	Notes Ref.	2006
<i>Income</i>			
Voluntary contributions	578,584	3.4	1,135,667
Interest income	103,599		37,201
Other/miscellaneous income	-		-
Total income	682,183		1,172,868
<i>Expenditure</i>			
Expenditures	43,061	3.5	1,821
Unliquidated obligations	38,119	3.5	4,000
Total expenditure	81,180		5,821
Excess/(shortfall) of income over expenditure	601,003		1,167,047
Fund balances at beginning of financial period	2,450,708		1,283,661
Fund balances as at 31 December 2007	3,051,711		2,450,708

Signed (Marian Kashou')
Chief Finance Officer

Trust Fund for Victims
Statement of assets, liabilities, reserves and fund balances
as at 31 December 2007
(in euros)

	2007	Notes Ref.	2006
<i>Assets</i>			
Cash and term deposits	3,037,161		2,444,592
Other accounts receivable	56,669	3.6	13,115
Total assets	3,093,830		2,457,707
<i>Liabilities</i>			
Unliquidated obligations	38,119		4,000
Interfund balances payable	4,000	3.7	2,999
Total liabilities	42,119		6,999
<i>Reserves and fund balances</i>			
Cumulative surplus	3,051,711		2,450,708
Total reserves and fund balances	3,051,711		2,450,708
Total liabilities, reserves and fund balances	3,093,830		2,457,707

Signed (Marian Kashou')
Chief Finance Officer

Statement III

Trust Fund for Victims
Statement of cash flow as at 31 December 2007
(in euros)

	2007	2006
<i>Cash flows from operating activities</i>		
Net excess/(shortfall) of income over expenditure (Statement I)	601,003	1,167,047
Other accounts receivable (increase)/decrease	(43,554)	(7,717)
Unliquidated obligations increase/(decrease)	34,119	1,000
Interfund balances payable increase/(decrease)	1,001	(1)
Less: interest income	(103,599)	(37,201)
Net cash from operating activities	488,970	1,123,128
<i>Cash flows from investing and financing activities</i>		
Plus: interest income	103,599	37,201
Net cash from investing and financing activities	103,599	37,201
<i>Cash flows from other sources</i>		
Net increase/(decrease)	-	-
Net cash from other sources	-	-
Net increase/(decrease) in cash and term deposits	592,569	1,160,329
Cash and term deposits at beginning of period	2,444,592	1,284,263
Cash and term deposits at 31 December 2007 (Statement II)	3,037,161	2,444,592

Notes to the financial statements of the Trust Fund for Victims

1. The Trust Fund for Victims and its objectives

1.1 The Trust Fund for Victims was established by the Assembly of States Parties (ASP), in its resolution ICC-ASP/1/Res.6, for the benefit of victims of crimes within the jurisdiction of the International Criminal Court (ICC), and the families of such victims.

In the annex to that resolution, the Assembly of States Parties established a Board of Directors, which is responsible for the management of the Trust Fund.

2. Summary of significant accounting and financial reporting policies

2.1 The accounts of the Trust Fund for Victims are maintained in accordance with the Financial Regulations and Rules of the ICC, as established by the Assembly of States Parties in the annex to resolution ICC-ASP/1/Res.6. Therefore, the accounts of the Trust Fund are currently in conformity with the United Nations system accounting standards. These notes form an integral part of the Trust Fund's financial statements.

2.2 **Fund accounting:** the Trust Fund's accounts are maintained on a fund accounting basis.

2.3 **Financial period:** the financial period of the Trust Fund is one calendar year, unless otherwise decided by the Assembly of States Parties.

2.4 **Historical cost basis:** the accounts are prepared on the historical cost basis of accounting and are not adjusted to reflect the effects of changing prices for goods and services.

2.5 **Currency of accounts:** the accounts of the Trust Fund are presented in euros. Accounting records kept in other currencies are converted into euros at the United Nations operational rate of exchange in effect at the date of the financial statement. Transactions in other currencies are converted into euros at the United Nations operational rate of exchange in effect at the date of transaction.

2.6 **Funding:** the Trust Fund for Victims is funded by:

- a) Voluntary contributions from governments, international organisations, individuals, corporations and other entities, in accordance with relevant criteria adopted by the Assembly of States Parties;
- b) Money and other property collected through fines or forfeiture transferred to the Trust Fund if ordered by the ICC pursuant to article 79, paragraph 2, of the Statute;
- c) Resources collected through awards for reparations, if ordered by the ICC pursuant to rule 98 of the Rules of Procedure and Evidence;
- d) Resources as the Assembly of States Parties may decide to allocate.

2.7 **Income:** voluntary contributions are recorded as income on the basis of a written commitment to pay monetary contributions during the current financial year, except where contributions are not preceded by a pledge. For these funds, income is recorded at the time that the actual contributions are received from the donors.

2.8 **Cash and term deposits** comprise funds held in interest-bearing bank accounts, time deposits, and call accounts.

3. **The Trust Fund for Victims (statements I-III)**

3.1 **Statement I** reports the income and expenditure and changes in reserve and fund balances during the financial period. It includes the calculation of the excess of income over expenditure for the current period and prior-period adjustments of income or expenditure.

3.2 **Statement II** shows the assets, liabilities, reserves and fund balances as at 31 December 2007.

3.3 **Statement III** is the cash flow summary statement prepared using the indirect method of International Accounting Standard 7.

3.4 **Voluntary contributions** in the total amount of €578,584 were received from governments, individuals, organisations and other entities.

3.5 **Expenditures:** the total amount of expenditures of €81,180 comprises disbursed expenditures of €43,061 and outstanding obligations of €38,119.

3.6 **Other accounts receivable** in the amount of €56,669 represent interest earned but not yet received as at 31 December.

3.7 **Interfund balances payable** represents a payable to the ICC General Fund.

3.8 **Contributions from the ICC:** in annex 6 of resolution ICC-ASP/1/Res.6, the Assembly of States Parties decided that the Registrar of the Court should be responsible for providing such assistance as is necessary for the proper functioning of the Board of Directors of the Trust Fund in carrying out its tasks, and should participate in the meetings of the Board in an advisory capacity. In 2007, the ASP approved an appropriation of €718,400 for the Secretariat of the Trust Fund for Victims which administers the Trust Fund and offers administrative support to the Board and its meetings. Expenditures recorded in the ICC's accounts for the Secretariat during the financial period are €696,279.