



**AUDIT**

**OF**

**THE DEMOCRATIC REPUBLIC OF THE CONGO**

**POOLED FUND**

**CONSOLIDATED SUMMARY REPORT**

**Report No. 1176**

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## Report on the audit of the Democratic Republic of the Congo Pooled Fund Executive Summary

This consolidated summary audit report presents the critical findings and recommendations from the audits of the Democratic Republic of the Congo (DRC) Pooled Fund carried out by the Internal Audit Services of Participating United Nations Organizations. The members of the United Nations Representatives of Internal Audit Services agreed to undertake a coordinated audit of the DRC Pooled Fund based on an audit risk assessment carried out by the UNDP Office of Audit and Investigations (UNDP/OAI) in 2011 in consultation with the Multi-Partner Trust Fund Office.

The coordinated audit was conducted in accordance with the Framework for Auditing Multi-Donor Trust Funds, endorsed by the United Nations Development Group. Each participating Internal Audit Service conducted an individual audit of their share of the Pooled Fund activities, taking into consideration risks identified in the coordinated risk assessment. The Framework requires the Internal Audit Services of the Administrative Agent of the Multi-Donor Trust Fund to submit a final overall summary report to the Administrative Agent, the Multi-Donor Trust Fund Steering Committee, the Internal Audit Services of Participating United Nations Organizations and the Fiduciary Management Oversight Group. UNDP is the Administrative Agent of the DRC Pooled Fund.

Participating in this coordinated audit were the Internal Audit Services of FAO, UNDP, UNICEF and WFP, as well as OIOS as the internal auditor of OCHA. The participating Internal Audit Services conducted their audits in DRC on various dates between September 2012 and April 2013. The report also includes the conclusions from a WFP audit mission conducted before the risk assessment in February 2011, and in which there were no reportable issues.

The Humanitarian Action Plan of DRC outlines the strategic programmatic and operational plan for providing humanitarian and emergency assistance, applying to (but not exclusively) the Pooled Fund. Technical expertise in the strategic direction, project selection and monitoring is provided through 10 clusters covering coordination, education, food security, health, logistics, multi-sectoral activities (refugees), nutrition, protection, shelter and non-food items and water, sanitation and hygiene, each coordinated by one United Nations agency. Following a consultative selection process involving primarily the Humanitarian Coordinator and representatives from donors, NGOs, and Participating United Nations Organizations, funds are allocated to NGOs (international and local), through UNDP as the Managing Agent, and to United Nations Organizations.

Between 2006 and the end of 2012, the Pooled Fund had received contributions totalling \$752 million. Total net transfers to Participating United Nations Organizations were \$725 million and cumulative expenditure amounted to \$663.6 million according to the financial information available on the Multi-Partner Trust Fund Office website (MPTF Gateway). The funds received by those organizations participating in the coordinated audit constituted 90.5 percent of the total fund transfers made from the DRC Pooled Fund from inception in 2006 to 31 December 2012.

### Key issues and recommendations

For high (critical) priority recommendations, prompt action is required to ensure that the audited entities are not exposed to high risks. Failure to take action could result in major negative consequences for the organizations. All high (critical) priority recommendations are presented below:

Inadequate strategic direction for the Pooled Fund	There was a declining need in DRC for emergency support and an increasing demand to finance projects that address DRC's long-term development objectives. FAO had not begun the process of formulating an exit/transition
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(Section III.2)	strategy to wind down the cluster's emergency activities. The FAO Office of the Inspector General recommended that FAO, in its capacity as cluster leader, introduce procedures for phasing out or handing over emergency activities.
Insufficient resources for cluster management (Section III.3)	<p>Technical cluster lead agencies at the country level help ensure a well-coordinated and effective humanitarian response in their specific area of activity. FAO and UNICEF noted that insufficient resources were available to carry out their tasks effectively.</p> <p>FAO noted that the Common Humanitarian Plan mechanism had not been successful in securing additional resources required for the monitoring and evaluation of cluster activities, the training of humanitarian partners and capacity building of national authorities and the preparedness for the provision of assistance or services of last resort. Since August 2012, FAO DRC, in collaboration with WFP, had been receiving the support of the Global Food Security Cluster to address this issue, but no visible result had been obtained as at the time of the audit.</p> <p>The FAO Office of the Inspector General recommended that the FAO Representative ensure that a strategy for resource mobilization be established to meet all the established cluster lead responsibilities. The FAO Representative should also follow up with OCHA with regard to the allocation of funds to meet the cluster lead's responsibility of monitoring and evaluation.</p> <p>For the period 2011-2012, UNICEF received a one-time special allocation from the Pooled Fund to strengthen the capacity of the clusters. However, it was a one-time allocation and UNICEF continued to have difficulty in meeting its cluster lead agency responsibilities due the financial shortfalls.</p> <p>UNICEF recommended that the UNICEF Country Office initiate, within the Humanitarian Country Team-led process, a clear definition of results expected from cluster coordinators by sector and by level.</p>
Inadequate guidance on UNDP's engagement of NGOs in a humanitarian context (Section III.6)	UNDP, when acting as Managing Agent, uses the national implementation modality that has been developed for UNDP development projects. In the view of UNDP/OAI, there was insufficient guidance on how these processes could be applied and adapted when partnering with NGOs in a humanitarian context. UNDP/OAI recommended that the UNDP Bureau of Management, in close cooperation with the Bureau for Crisis Prevention and Recovery and the Bureau for Development Policy, provide policy/guidance on UNDP engagement with NGOs in the humanitarian context.
Absence of monitoring and evaluation system (Section III.8)	In 2012, OCHA DRC started to discuss a focused monitoring and reporting system to correlate with the Humanitarian Action Plan priorities, emphasizing on monitoring, reporting and evaluation with harmonized indicators and benchmarking principles. A monitoring and evaluation system, however, had not been developed at the time of the audit. OCHA Headquarters had drafted Global Common Humanitarian Fund/Pooled Fund Standardization Guidelines, including monitoring and evaluation guidance focusing on overall OCHA monitoring practices, encompassing all recipients of the Pooled Fund resources including United Nations agencies. The draft Guidelines were not completed at the time of

the audit. OIOS recommended that OCHA finalize the Global Common Humanitarian/Pooled Fund Standardization Guidelines.

UNDP responsibility as Managing Agent did not include evaluation and was limited to looking at outputs and compliance with work plans and fund utilization. Other issues noted were the lack of an objective evaluation of projects outputs and the lack of technical input from the clusters during monitoring visits. UNDP recommended that the Joint Pool Fund Unit, in coordination with the clusters, set up a feedback mechanism on issues raised during monitoring visits and implement a rotational policy for field evaluators.

Due to lack of human and financial resources, FAO could not carry out the monitoring of agency-implemented projects in the areas where it did not have sub-offices. FAO was dependent on a government implementing agency in monitoring those projects.

The FAO Office of the Inspector General recommended that the FAO Office follow up with OCHA and the Humanitarian Coordinator on funding to meet the cluster lead agency's responsibilities. The FAO Office stated that it continued to follow up with OCHA, the Humanitarian Coordinator and donors. Their position had been firm in that cluster responsibilities would not be funded from this source.

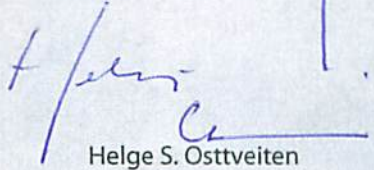
Inadequate HACT assurance (Section III.8)

The Harmonized Approach to Cash Transfers (HACT) in DRC was not yet fully effective at the time of the audit fieldwork. UNDP/OAI noted issues with the quality of micro-assessments, which might have led to an overrating of some NGOs. In addition, UNDP/OAI was not able to determine whether issues noted during spot checks were addressed and monitored accordingly. UNDP/OAI recommended that the UNDP DRC improve the HACT assurance process through a systematic quality review of spot check reports, follow-up of action plans identified in spot check reports, clearer training material, and a more inclusive approach of spot checks and updated risk assessment with all agencies that are part of the Pooled Fund.

Detailed findings, categorized by the audit areas agreed upon by the participating Internal Audit Services, are presented in Section III of this report.

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On behalf of the Internal Audit Services involved, I wish to express my appreciation to the Administrative Agent and to the Participating United Nations Organizations concerned for their cooperation in this coordinated audit exercise.



Helge S. Osttveiten  
Director  
Office of Audit and Investigations

## I. About the Pooled Fund

Since 2006, the United Nations, under the leadership of the Humanitarian Coordinator, has taken a coordinated approach to humanitarian aid in DRC. The Pooled Fund was established with the signing of a Memorandum of Understanding between the Humanitarian Coordinator, OCHA, Participating United Nations Organizations, the UNDP Multi-Partner Trust Fund Office as the Administrative Agent and the UNDP Country Office as the Managing Agent.

An OCHA-UNDP Joint Pooled Fund Unit, headed by OCHA, manages the Pooled Fund mechanism in DRC and its day-to-day operations. With 27 positions, the Joint Pooled Fund Unit is located in Kinshasa.

The Multi-Partner Trust Fund Office acts as Administrative Agent for all funds provided by donors to the Pooled Fund. This office has delegated some Administrative Agent functions to UNDP DRC, requiring, inter alia, that it carries out fund transfers to the Participating United Nations Organizations upon the decision of the Humanitarian Coordinator.

The sources and uses of funds of the DRC Pooled Fund, based on the unaudited certified financial statements submitted to the Humanitarian Coordinator by UNDP as the Administrative Agent, are summarized in the table below:

	<b>Cumulative up to December 2012 (\$)</b>
<b>Source of funds</b>	
Donor contributions	752,425,831
Fund earned interest	6,021,563
Agency earned interests	2,223,186
<b>Total source of funds</b>	<b>760,670,580</b>
<b>Use of funds</b>	
Net transfers to participating organizations	724,852,934
Administrative Agent fees	7,524,258
Bank charges	3,162
<b>Total use of funds</b>	<b>732,380,354</b>
<b>Surplus of sources over uses of funds</b>	<b>28,290,225</b>

The table below shows the breakdown of the total net transfers to Participating United Nations Organizations made by the Administrative Agent during the period from 1 January 2006 to 31 December 2012:

Participating organizations	Amount (million \$)	Percentage
NGO/UNDP	336.4	46.5%
UNICEF	152.9	21.1%
FAO	66.7	9.2%
WFP	59.3	8.2%
OCHA	35.8	4.9%
WHO	29.5	4.1%
UNHCR	19.4	2.7%
UNFPA	9.7	1.3%
UNDP	7.1	1.0%
UNOPS	4.7	0.6%
IOM	2.2	0.3%
UNHABITAT	0.6	0.1%
UNIFEM (now part of UN Women)	0.3	0.0%
UNMAS	0.2	0.0%
<b>TOTAL</b>	<b>724.8</b>	<b>100%</b>

There are two Common Humanitarian Fund allocation mechanisms used by the Humanitarian Coordinator, namely: (a) the standard allocation mechanism that is used for allocating the bulk of funds and ensuring early funding for priority projects; and (b) the rapid onset mechanism used in the event of unforeseen needs through an Emergency Response Fund set up by the Humanitarian Coordinator. The Humanitarian Coordinator approves the Emergency Response Fund of no more than 10 percent of committed funds, which the Administrative Agent sets aside for emergencies. There are normally two standard allocation rounds per year, one at the beginning of the year and the other in the middle of the year.

The DRC Common Humanitarian Fund Advisory Group, which supports and advises the Humanitarian Coordinator on the processes, consists of Common Humanitarian Fund donors, some non-Common Humanitarian Fund donors, heads of key United Nations organizations in DRC, and two rotating representative NGO heads.

During the period under review, the Advisory Group members agreed on policy papers delineating targeted allocations, regional allocation envelopes and overarching humanitarian priorities at each allocation round. The process was regionalized as much as possible, with project selections made in the regions. Final reviews were made by a central sectoral review group and the Advisory Group. The Humanitarian Coordinator then reviewed the proposed allocations and after making any necessary adjustments, approved the final allocations on the basis of which UNDP, in its Administrative Agent capacity, transferred funds to the UN participating organizations and IOM and, in its Management Agent capacity, transferred funds to NGOs.

## II. Summary of financial information on audit coverage

Participating Organization	Period covered	Transfers over the period (million \$)	Expenditure over the period (million \$)
FAO	1 January 2011 – 30 September 2012	7.5	2.2
OCHA	1 January 2010 – 31 December 2012	7.2	-5.2 due to negative amount reported in 2010
UNDP (incl. NGOs)	1 January 2011 – 30 June 2012	88.0	
UNICEF	1 January 2011 – 30 June 2012	57.6	60.9
WFP	1 January 2010 – 31 December 2010	5.9	8.3

(Source: accounting systems of the respective participating organizations; figures are unaudited)



### III. Overview of audited areas

The joint audit work was structured along the joint risk assessment conducted in 2012. Some risks only related to some organizations depending on their role and function in the DRC Pooled Fund. As a result, not all risks are applicable to all organizations. If a risk is applicable to an organization, but there are no reportable findings, the section will indicate "No critical audit finding in this area". WFP had no reportable findings overall.

Participating Organization	Risk areas where risks were identified in joint risk assessment	Critical findings	Actions taken by management to mitigate identified risks
<b>1. Partnerships and resource mobilization</b>			
OCHA	No critical audit finding in this area		
<b>2. Strategic management</b>			
FAO	Strategic direction for the Pooled Fund	<p>There was a declining need in DRC for emergency support and an increasing demand to finance projects that address DRCs long-term development objectives. To reflect this shift in the Pooled Fund programming, FAO, in its capacity as cluster leader, should introduce procedures for phasing out or handing over emergency activities, and establish joint planning and integrated response by all the cluster partners.</p> <p>FAO has not begun the process of formulating an exit/transition strategy to wind down the cluster's emergency activities, as it depends on the involvement of the relevant ministry and one of its principal organs, in the development of the DRC's Common Humanitarian Action Plan. The Common Humanitarian Action Plan is the base for developing the strategy of the Food Security cluster and is deemed by the Representation as a guide for proper strategy focus. However, the lack of a clear-cut exit/transition strategy may hamper the smooth shift to development intervention and may, therefore, affect the impact of the cluster's programmes as a response to national priorities.</p> <p>(High priority)</p>	A strategic working group of the Pooled Fund Board including UN organizations, donors and NGOs is at the time of the audit working on the development of the 2013 strategy focus on resilience. Its recommendation will be applicable to all clusters. At the time of the audit, donors made very clear that only emergency activities should be funded from this source, with durations limited to one year.

Participating Organization	Risk areas where risks were identified in joint risk assessment	Critical findings	Actions taken by management to mitigate identified risks
OCHA	Priority setting in the allocation of reserve funds	The Pooled Fund Reserve allocations for 2010, 2011 and 2012 were about \$36 million, \$37 million and \$32 million, respectively. The Humanitarian Coordinator had the discretion to approve the use of these reserves in the event of unforeseen circumstances, emergencies or strategic needs to quickly and flexibly respond to humanitarian priorities.	In early 2013, OCHA DRC issued guidelines regarding the selection criteria and allocation procedures for the Reserve under the overall authority of the Humanitarian Coordinator. OIOS concluded that the guidelines strengthened the transparency of the use of the Pooled Fund Reserve.
UNDP	Project sustainability and early recovery	The inclusion of capacity building and other longer term development concerns into humanitarian projects were needed in order to transition from a solely relief approach and to help build resilience. Host country representatives were advocating for such a transition. Yet the inclusion of some early recovery components into projects was still being debated among the lead agencies of various clusters and donors. The Pooled Fund was exploring multi-year projects as a way to build community resilience and address some of the causes of humanitarian needs, with several donors having pledged multi-year funding. A proposal was to be presented to the Pooled Fund Board in February 2013.	As the strategy of the Pooled Fund was determined in the Pooled Fund Board, and UNDP was not a member, no recommendation was issued relating to the Pooled Fund.
<b>2. Governance</b>			
UNDP	No critical audit finding in this area.		
OCHA	No critical audit finding in this area		

Participating Organization	Risk areas where risks were identified in joint risk assessment	Critical findings	Actions taken by management to mitigate identified risks
<b>3. Cluster management</b>			
FAO	Role of the clusters	<p>Resource mobilization is part of the Common Humanitarian Action Plan processes and is done twice a year at the cluster level – in January for the first half and in July for the second half of the year. However, the Common Humanitarian Action Plan mechanism has not been successful in securing additional resources required for: (a) monitoring and evaluation of cluster activities; (b) training of humanitarian partners and capacity building of national authorities and civil society; and (c) preparedness for provision of assistance or services of last resort.</p> <p>(High Priority)</p>	<p>Since January 2012, all clusters in DRC have been facing the same issue in regard funding. The Pooled Fund has stopped its support and donors refuse to contribute.</p> <p>Since August 2012, FAO DRC, in collaboration with WFP, has been receiving the support of the Global Food Security Cluster to address this issue but no visible result was obtained up to now.</p>
UNICEF	Role of the clusters	<p>According to the Inter-Agency Standing Committee, the role of cluster leads at the country level is to facilitate a process aimed at ensuring well-coordinated and effective humanitarian responses in the sector or area of activity concerned. Cluster lead agencies are accountable to the Humanitarian Coordinator for ensuring that these tasks are carried out effectively.</p> <p>UNICEF had a staff complement of 56 involved in cluster activities, of which 6 worked as dedicated, full-time sector leads; another 33 were coordinators for provincial clusters, and allocated variable proportions of their time to cluster work. However, UNICEF did not have the resources to fulfill its cluster role. Recognizing that the clusters had insufficient human resources to fulfill their central role in supporting humanitarian coordination and Pooled Fund allocations, the Humanitarian Coordinator authorized, in June 2011, a special allocation of \$4.2 million from the Pooled Fund to strengthen the capacity of eight clusters to perform their tasks for a period of 12 months (mid-2011 to mid-2012). However, this was a one-time allocation and UNICEF continued to have difficulty in meeting its cluster lead agency responsibilities due to the</p>	<p>The UNICEF Country Office in DRC will initiate, within the Humanitarian Country Team-led process, a clear definition of results expected from cluster coordinators by sector and by level.</p> <p>The UNICEF Country Office will also ensure that the responsibilities and related qualifications for humanitarian activities are reflected in the job descriptions of staff significantly involved with these activities, and that appropriate training is included in their learning plans.</p>

Participating Organization	Risk areas where risks were identified in joint risk assessment	Critical findings	Actions taken by management to mitigate identified risks
		<p>financial shortfalls, particularly in the areas of reinforcement of capacities of the cluster members, supervision, and monitoring of the activities funded through the pooled fund.</p> <p>(High priority)</p>	
OCHA	No critical audit finding in this area		
<b>4. Joint Pooled Fund unit</b>			
OCHA	Capacity of the Joint Pooled Fund Unit	<p>A fully staffed Joint Pooled Fund Unit was essential to the effectiveness of the management of the Pooled Fund. However, filling the posts of the Joint Pooled Fund Unit had been challenging. The Joint Pooled Fund Unit comprised of eight OCHA posts, including three professional posts. The Unit, under the supervision of the OCHA Head of Office (P-5), provided assistance to the Humanitarian Coordinator in overseeing and facilitating the Pooled Fund management processes. In addition, the Unit had the responsibility to carry out monitoring activities on behalf of the Humanitarian Coordinator for the Pooled Fund. However, the P-5 Head of the Unit position had been vacant since August 2011. At the time of the audit fieldwork, OCHA indicated that the vacancy was advertised and the recruitment process was underway. Due to this prolonged vacancy, the Unit did not have the capacity to address some of the main challenges of managing the Pooled Fund, such as developing a monitoring system and a tracking system to ensure that United Nations agencies were providing reports as required.</p>	OCHA took action to fill the post.
UNDP	Capacity of the Joint Pooled Fund Unit	<p>The Joint Pooled Fund Unit, constituted by OCHA and UNDP, and headed by OCHA, allows effective coordination and integration between the two entities and is considered a good practice among Common Humanitarian Fund countries. OCHA and UNDP jointly developed a dedicated Pooled Fund</p>	<p>Since the staffing issue of the Joint Pooled Fund Unit (under OCHA) was reviewed by OIOS, no audit work was done by UNDP.</p>

Participating Organization	Risk areas where risks were identified in joint risk assessment	Critical findings	Actions taken by management to mitigate identified risks
		<p>database and were aligning the monitoring and oversight of project implementation. OAI also noted in its audit that the position of the Head of the Joint Pooled Fund Unit (OCHA) was vacant for about a year, which affected the Joint Pooled Fund Unit's work and the Pooled Fund's strategic initiatives.</p>	
<b>5. Administrative Agent</b>			
UNDP	Transfers to the agencies	<p>The Terms of Reference of the Pooled Fund Board and the Memorandum of Understanding with Participating United Nations Organizations indicates that the disbursement of funds to Participating United Nations Organizations must be done within three to five business days and in accordance with the decisions of the Humanitarian Coordinator.</p> <p>OAI reviewed a sample of 10 vouchers (60 percent of the total transfers over the period audited) for the transfer of funds by the Administrative Agent to Participating United Nations Organizations. Results were satisfactory, as transfers were completed within the prescribed deadlines.</p> <p>OAI noted that, in view of the volume transferred to Participating United Nations Organizations, annual confirmation of the funds transferred would allow the Country Office to reconcile funds transferred at year end.</p>	<p>The Country Office, in its role of Administrative Agent, periodically seeks formal confirmation from Participating United Nations Organizations of receipt of funds transferred to them.</p>
<b>6. Management Agent function</b>			
UNDP	Role and function of UNDP as Managing Agent	<p>The evaluation report of the Pooled Fund, issued in December 2010, questioned the value added by UNDP as Managing Agent and called on the organization to establish guidelines for its Managing Agent role for humanitarian funds.</p> <p>In 2011, UNDP, as Managing Agent for the Common Humanitarian Fund in the Country as well as Central African Republic and Sudan, expended \$93.5 million, which was transferred to NGOs using the NGO/national implementation</p>	<p>A working group was set up with UNDP's Bureau of Management, Bureau for Development Policy, Bureau for External Relations and Advocacy, and Bureau for Crisis Prevention and Recovery to develop guidance on UNDP engagement with NGOs as responsible parties and develop</p>

Participating Organization	Risk areas where risks were identified in joint risk assessment	Critical findings	Actions taken by management to mitigate identified risks
		<p>modality. Although Common Humanitarian Fund countries faced significant challenges applying this modality to the humanitarian context, UNDP had not yet adapted its implementation policies and procedures in that regard. In the view of various stakeholders that OAI met during the audit, such adaptation needs to be covered by the Managing Agent fee that UNDP receives. The draft guidance also does not provide a response and adaptation to the technical review of projects, monitoring and evaluation, the management and booking of national execution project advances, or the closure of projects.</p> <p>(High priority)</p>	<p>policy/guidance on UNDP engagement of NGOs in the humanitarian context.</p>
UNDP	Management Agent fee (currently set at 5 percent)	<p>In June 2007, the Executive Board established a new policy for cost recovery (decision 2007/18) with a flat 7 percent General Management Support rate for all third party and trust fund contributions. A waiver must be obtained from the Bureau of Management if the standard 7 percent rate is not applied. This standard General Management Support rate of 7 percent also applies to all funding received by UNDP as Managing Agent.</p> <p>Since the Pooled Fund was established in 2006, prior to the 2007 General Management Support policy, UNDP as Managing Agent had only been charging a General Management Support rate of 5 percent. Although the Country Office had approached the Pooled Fund Board and donors to align the General Management Support rate to the UNDP new corporate rate of 7 percent, donors strongly opposed such an increase. Donors had asked UNDP to justify the General Management Support increase, questioning the added value of UNDP as Managing Agent.</p> <p>The Country Office was of the view that if the donors and the Board continued to exert significant pressure on UNDP to lower General Management Support</p>	<p>The Country Office's request in September 2012 for a waiver of the 7 percent General Management Support requirement was not approved and it was suggested that the Country Office use the Executive Board decision in relation to donors to regularize the General Management Support rate at the minimum rate of 7 percent.</p>

Participating Organization	Risk areas where risks were identified in joint risk assessment	Critical findings	Actions taken by management to mitigate identified risks
		below 5 percent, the rate may not have been sufficient enough to continue servicing the needs of the OCHA-UNDP partnership.	
UNDP	Payments to NGOs	An analysis conducted by the Joint Pooled Fund Unit on the first fund allocation of 2011 revealed that the average lead time from the Humanitarian Coordinator's approval of a project sheet, through a technical review of the project document and preparation of an agreement with the NGO to the first payment was 88 days (an improvement on a similar analysis of the two 2010 allocations, which took 105 days). The timeline for UNDP to process the signed NGO agreement and issue funds was 24 days in 2011 and between 19 and 25 days in 2010.	After further analysis of the process, UNDP established the objective in 2012 to disburse the funds to NGOs within 10 days. The audit confirmed that all disbursements of funds in 2012 were within this 10-day period.
UNDP	Project closure	<p>Procedures for the closure of projects follow the individual Participating United Nations Organization's internal regulations and rules. As outlined in the Memorandum of Understanding, each Participating United Nations Organization determines when it has completed all approved activities and communicates the completion of activities to the Administrative Agent (and the Pooled Fund Board). Further, the timely closure of projects is a prerequisite for the reallocation of unspent funds and interest, in accordance with the Multi-Donor Trust Fund Terms of Reference and individual participating organization's regulations and rules.</p> <p>The Programme and Operations Policies and Procedures state that a project is operationally complete when all of the UNDP-financed input has been provided and the related activities have been completed. Projects must be financially completed not more than 12 months after being operationally completed or after the date of cancellation.</p> <p>The timely closure of Pooled Fund projects remained an issue, due to the</p>	After the audit fieldwork, the Country Office financially closed 496 projects and 200 more were pending financial closure. The Country Office explained that the delay in closing the remaining projects was because they were waiting for implementing partner audit reports or to receive reimbursement of unliquidated funds from the partners.

Participating Organization	Risk areas where risks were identified in joint risk assessment	Critical findings	Actions taken by management to mitigate identified risks
		<p>number of projects to close and the volume of assets to transfer.</p> <p>From 2006 to 2010, the Pooled Fund implemented approximately 680 projects. In 2011, 193 of these projects had been operationally closed and were pending financial closure with an outstanding balance of approximately \$1 million, which needed to be returned to the DRC Pooled Fund donors after financial closure.</p>	
OCHA	Substantive reporting to OCHA	<p>According to the Terms of Reference of the Pooled Fund, the Joint Pooled Fund Unit, under OCHA's direction, was to "develop and manage the reporting system on Pooled Fund funded projects on behalf of the Humanitarian Coordinator". The Terms of Reference also required that OCHA DRC put a system in place to "gather and compile information on outcomes and results achieved through the Pooled Fund projects implemented by Participating United Nations Organizations". OIOS observed that the Joint Pooled Fund Unit had developed a tracking system to monitor compliance with reporting requirements. However, the system was not effectively used. OIOS conducted a reporting compliance test of 31 projects implemented in 2010, 2011 and 2012 by 10 Participating United Nations Organizations which showed that only 13 annual narrative reports and 7 final narrative reports were submitted. OCHA indicated that the Joint Pooled Fund Unit did not have adequate resources to effectively track the compliance of the Participating United Nations Organizations to submit project progress reports, nor did it undertake field visits to assess progress of projects funded by the Pooled Fund.</p>	<p>OCHA should: (a) ensure that the tracking system is effectively used to monitor compliance by the Participating United Nations Organizations with reporting requirements; and (b) provide adequate resources to strengthen the capacity of the Joint Pooled Fund Unit to support the Humanitarian Coordinator in supervising the process of monitoring and evaluation related to the Pooled Fund operations.</p> <p>OCHA stated that the completion of the roll-out of the Grants Management System would take place from February 2014 onwards, with ideally all Common Humanitarian Funds using the system by the end of 2014. The system would provide a platform for the management of all Common Humanitarian Funds. OCHA's implementing partners would be able to submit project proposals and reports</p>



Participating Organization	Risk areas where risks were identified in joint risk assessment	Critical findings	Actions taken by management to mitigate identified risks
			online. OCHA also stated that it was in the process of completing the recruitment of five staff to strengthen the monitoring and evaluation function of the Joint Pooled Fund Unit.
<b>7. Allocation process – selection of projects</b>			
FAO	Amendment of projects	In the cluster project for training and capacity strengthening of cluster members, some of the activities were amended and two of the objectives were not achieved, but neither the amendment nor the non-achievement was communicated to the Pooled Fund Board or reflected in the project’s logical framework.	FAO will ensure in the future that amendments to project activities and non-achievement of objectives are communicated to the Pooled Fund Board in a timely manner and are reflected in the project logical framework.
OCHA	Process of project selection	According to the Terms of Reference of the Pooled Fund, OCHA, through the Joint Pooled Fund Unit, was expected to develop guidelines on procedures and criteria as defined by the Humanitarian Coordinator and the Pooled Fund Board and facilitate the process of project selection under the standard allocation for final approval by the Humanitarian Coordinator. OIOS observed that the process was well organized by the Joint Pooled Fund Unit with specific allocation criteria updated annually. The standard allocation of the Pooled Fund was organized twice a year. It covered projects submitted and assessed through the cluster system in line with the Humanitarian Action Plan framework. The standard allocation process, carried out with the involvement of the clusters and the Provincial Inter-Agency Standing Committees, allowed the Pooled Fund to finance the activities considered priorities by the actors in the emergency areas. The Pooled Fund was able to achieve an allocation rate of about 88 percent over the past three years.	OIOS concluded that the management of the standard allocation of the Pooled Fund was adequate.

Participating Organization	Risk areas where risks were identified in joint risk assessment	Critical findings	Actions taken by management to mitigate identified risks
UNDP	Technical review process	<p>Reviews of the timeline for the technical review from the submission of the project sheet by the partners to payment by the Managing Agent, shows that the technical review could last up to three months, depending on the quality of the project document submitted by the NGO.</p> <p>In cases where the Pooled Fund Board approved a project of poor initial quality, the technical assistance necessary from the cluster lead agencies and the Joint Pooled Fund Unit was significant. It was also a factor for which UNDP had no leverage and merely inherited the workload.</p> <p>The Joint Pooled Fund Unit sees its assistance at the technical review stage as one area where UNDP provides capacity building to NGOs. Without an explicit capacity building strategy and transition to early recovery, these efforts are not consolidated with specific inputs and outputs in the project document, measurement of the improvement in NGO capacity and linkages with the monitoring and evaluation segment of the Managing Agent function.</p>	The Country Office identified returning NGOs with inadequate capacity and provided additional resources to reinforce their capacities during monitoring visits, as intended under the HACT Framework, and to reduce delays and additional workload in the technical review process.
UNICEF	No critical audit finding in this area		
<b>8. Monitoring and oversight of projects</b>			
FAO	Monitoring of agency-implemented projects	<p>Due to lack of human and financial resources, FAO could not carry out any monitoring of agency-implemented project in the areas where FAO did not have sub-offices. FAO depended on the relevant ministry in monitoring those projects.</p> <p>(High priority)</p>	FAO will continue efforts to mobilize funds with limited hopes of success. We will continue to follow up with OCHA, the Humanitarian Coordinator, and donors on funding to meet our cluster responsibilities, but for the time being their position has been firm – cluster responsibilities will not

Participating Organization	Risk areas where risks were identified in joint risk assessment	Critical findings	Actions taken by management to mitigate identified risks
			<p>be funded from this source. The Humanitarian Coordinator has even communicated this position to the Director-General.</p>
OCHA	Monitoring of agency-implemented projects	<p>In accordance with the Terms of Reference of the Pooled Fund, OCHA DRC, through the Joint Pooled Fund Unit and in support of the Humanitarian Coordinator, was to put in place a monitoring and evaluation system to ensure that the projects funded by the Pooled Fund had achieved their objectives and that the resources were used for the intended purposes. In addition, OCHA DRC was to gather and compile information on the outcome and results achieved through the Pooled Fund projects implemented by the Participating United Nations Organizations. OCHA DRC was responsible for the overall management of the Joint Pooled Fund Unit including putting reporting, monitoring and evaluation systems in place. OCHA relied on UNDP and Participating United Nations Organizations, which were expected to undertake their own monitoring as required by the Memorandum of Understanding, as follows: UNDP for the NGO-implemented projects and the Participating United Nations Organizations for their projects. UNDP monitoring reports were available to the Joint Pooled Fund Unit.</p> <p>OCHA had initiated efforts to establish a monitoring and evaluation system for the Pooled Fund both at the office level in DRC and at OCHA Headquarters. In 2012, OCHA DRC started to discuss: (a) a Humanitarian Action Plan-focused monitoring and reporting system to correlate with Humanitarian Action Plan priorities, funding, output and outcome-oriented results, and their reporting thereof; and (b) a Pooled Fund-specific oversight function focusing on monitoring, reporting and evaluation with harmonized indicators and benchmarking principles. A monitoring and evaluation system, however, had</p>	<p>OCHA accepted the recommendation to finalize the Global Common Humanitarian/Pool Fund Standardization Guidelines and stated that it had finalized it through a consultative process with Common Humanitarian Fund managers in all Common Humanitarian Fund countries and that additional revisions might be necessary pending the global discussion with UNDP on the role and function of the Managing Agent in Common Humanitarian Funds. OCHA plans to complete implementation of the recommendation by 31 December 2014.</p> <p>OCHA accepted the recommendation to develop a monitoring and evaluation system for the Pooled Fund to ensure that monitoring and evaluation take place. OCHA stated that the Joint Pooled Fund Unit in DRC was in the process of finalizing the new “quality cycle”, a process including risk management, monitoring and</p>

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		<p>not been developed at the time of the audit. OCHA Headquarters, through the Funding Coordination Section, had drafted Global Common Humanitarian Fund/Pooled Fund Standardization Guidelines, dated 10 January 2010, including monitoring and evaluation guidance focusing on overall OCHA monitoring practices encompassing all recipients of the Pooled Fund resources including United Nations agencies. The draft Guidelines were not completed at the time of the audit.</p> <p>(High priority)</p>	<p>evaluation, directly linked to the project cycle. The monitoring component would start being rolled-out at the beginning of 2014. The evaluation process would commence in July 2014, after the completion of a study to determine the scope and modalities of the evaluation. The process would be guided by the recommendations and decisions of the Pooled Fund Board, to meet on 24 January 2014 and in July 2014.</p>
UNICEF	Programme monitoring	<p>UNICEF in collaboration with OCHA developed an innovative approach to secure the flexibility and speed required to respond quickly to unforeseen emergencies: the Rapid Response to Movements of Population (RRMP). The RRMP design departs from conventional emergency programming in being essentially a contingency mechanism; yearly plans are drawn up for full-time emergency response capacity by province, without specifying exactly where, how and when such interventions will happen. The RRMP's strategy integrates three basic requirements: continuous humanitarian surveillance; a capacity to quickly respond through pre-established partnerships with stand-by international NGOs; and pre-positioned relief supplies and funding for those partners, allowing them to respond immediately without having to submit individual project proposals and budgets for each proposed intervention. The international NGO partners had a contractual obligation to monitor at least 70 percent of the activities funded through the RRMP, while UNICEF also carried out field monitoring through the RRMP process. UNICEF also provided the Monitoring and Evaluation Officer, Provincial Emergency Officers and Zonal and Provincial Cluster Coordinators. However, there was no structured framework</p>	<p>UNICEF has established a framework to monitor the RRMP process and will ensure that adequate staff resources are assigned to follow up on recommendations arising from field-monitoring visits. UNICEF will also document lessons learned and assess the programmatic performance of the RRMP implementing partners.</p>

Participating Organization	Risk areas where risks were identified in joint risk assessment	Critical findings	Actions taken by management to mitigate identified risks
		for monitoring the implementation of recommendations from field visits, documenting lessons learned, or assessing the programmatic performance of the eight RRMP international NGO partners.	
UNDP	Monitoring of agency-implemented projects	<p>Pooled Fund NGO-implemented projects are aligned to the Managing Agent’s processes. The UNDP <i>Handbook on Planning Monitoring and Evaluation for Development Results</i> stresses that, “without effective planning, monitoring, and evaluation, it would be impossible to judge if work is going in the right direction, whether progress and success can be claimed, and how future efforts might be improved.” The quality of the Results and Resources Framework at the planning stage strongly influences the feasibility and quality of future monitoring and evaluation. The observations from monitoring visits showed that measuring project results remained a challenge, because the Results and Resources Framework was still weakly defined.</p> <p>UNDP responsibility as Managing Agent did not include evaluation and was limited to looking at outputs and compliance with work plans and fund utilization. Monitoring and evaluation visits were carried out to assess compliance with the project document, but without effective mechanisms in place to assess the relevance and/or impact of the project. OAI noted that:</p> <ul style="list-style-type: none"> <li>▪ key performance indicators defined in the project’s logical framework were not always adequate for measuring the project’s achievements. Achievements using cross-cluster indicators were not defined to measure the relevance and impact of the project (e.g., number of children benefitting from school and being vaccinated);</li> <li>▪ the expected impact of the project had not been identified, which may lead to under-reporting of the projects’ possible achievements; and</li> <li>▪ there was no mechanism for the cluster to follow up and report to the Joint Pooled Fund Unit on issues noted in the monitoring reports and it</li> </ul>	OAI did not make a recommendation as the weakness was beyond UNDP’s control and assessed by OIOS under the OCHA portion of the audit of the Pooled Fund.

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		<p>was unclear what corrective actions had been taken by the clusters</p> <p>With a transition from medium to longer term goals, the Joint Pooled Fund Unit needed to develop its assessment tools and methodology of longer term project impact and sustainability. This would also help to address donor expectations of improved results-based reporting.</p> <p>(High priority)</p>	
UNDP	Adequacy of mechanisms and tools to monitor NGOs and the implementation of projects	<p>The review of the monitoring and evaluation function showed that activities performed by evaluators consisted more of compliance rather than an evaluation exercise. OAI also noted a lack of technical input from the clusters to the monitoring visits. The existing set-up also did not allow for an objective evaluation of the project outputs. OAI also noted the following from its review of the structure of the evaluation team:</p> <ul style="list-style-type: none"> <li>▪ Each evaluator had been covering a specific geographic area without a clear rotation policy in place. In view of the Country's high risk and complex environment, set timelines for rotation would avoid undue pressure on the evaluators and/or collusion between evaluators and NGOs</li> <li>▪ Clusters did not have access to the Joint Pooled Fund Unit's database of monitoring results, including outputs by projects. There was no mechanism for the clusters to follow-up and report to the Joint Pooled Fund Unit on issues noted during monitoring visits.</li> </ul>	The Country Office will improve monitoring and evaluation activities, establishing: (a) feedback mechanisms for the clusters on issues raised during monitoring visits; and (b) a rotation policy for field evaluators.
FAO	HACT assurance	The audit found that HACT, as a mechanism for monitoring project implementation, had not yet been introduced in the entire country by all clusters. This was reported to the auditor in the inter-cluster meeting that took	This should be considered at the Pooled Fund Board's level.

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		place in September 2012.	
UNDP	HACT assurance	<p>The HACT framework requires that participating agencies agree on an assurance plan that is commensurate with the level of the risk associated with the implementing partners, as determined by the micro-assessment. Assurance activities must comprise: (a) at least one scheduled audit during the programming cycle of implementing partners receiving \$0.5 million collectively from all United Nations agencies; (b) on-site reviews in the form of spot checks and special audits to address specific weaknesses; and (c) programmatic assurance activities, including field monitoring and annual reviews. The aims of HACT include strengthening the capacity of implementing partners to effectively manage resources, helping manage risks related to the management of funds and increasing overall effectiveness.</p> <p>The HACT approach in the Country still presents some challenges and risks that may affect the oversight of the Pooled Fund's NGO-implemented projects, as listed below:</p> <ul style="list-style-type: none"> <li>▪ Evaluators did not always have a full understanding of the questions that were asked, which led to potential overstatement of the implementing partner's capacity.</li> <li>▪ The spot checkers' response did not always address the questions or were too vague to allow proper conclusions to be made of the implementing partner's internal control.</li> <li>▪ A key HACT requirement is a review of the Funding Authorization and Certificate of Expenditures against the supporting documents. The Country Office developed a Funding Authorization and Certificate of Expenditures worksheet, but the issues noted during the Funding Authorization and Certificate of Expenditures review were not</li> </ul>	<p>To improve the effectiveness and efficiency of the HACT, the Country Office agreed to implement the below recommendations:</p> <ul style="list-style-type: none"> <li>(a) require a systematic quality review of spot check reports;</li> <li>(b) review the follow-up on action plans identified in spot check reports;</li> <li>(c) strengthen the spot checker training material (e.g., incorporate guidelines on how to review the Funding Authorization and Certificate of Expenditures) and ensure that the training material focuses on common errors/misunderstandings identified during review of spot check reports;</li> <li>(d) include all agencies that are part of the Pooled Fund in the review of the spot checks, coordinating with other agencies to share audit results; and</li> <li>(e) include all information gathered through partner audits and spot checks in the updated risk assessment for each implementing partner.</li> </ul> <p>Office management further stated that the</p>

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		<p>systematically reported as part of the conclusion in the checklist, or when done, the issues were mingled with other insubstantial findings.</p> <ul style="list-style-type: none"> <li>▪ Follow-up of spot check visits and partner audits was not systematically shared or discussed with agencies that are involved in the Pooled Fund but are not part of the HACT.</li> <li>▪ It was unclear whether issues noted in the spot checks were included in an action plan and monitored accordingly.</li> <li>▪ The micro-assessment and spot check questionnaires provided by UNDP did not include a fraud prevention and detection questionnaire.</li> <li>▪ The material of the training package for the spot checkers was too general in terms of what is expected of spot checkers in the field.</li> <li>▪ The revised risk assessment reports of NGOs and their findings were not discussed with the concerned partner, thus limiting the HACT capacity-building impact.</li> </ul> <p>(High priority)</p>	<p>spot check reports are shared with other agencies and the Country Office has a mechanism to review the reports through the HACT Audit Task Force. This mechanism will be implemented. Spot check training will be enhanced and the office will continually reinforce the monitoring of recommendations that emanate from the assurance reports, spot checks and audits alike.</p>
UNICEF	Management of cash transfers	<p>There were improvements required in the implementation of HACT including the assessment of the Supreme Audit Institution to conduct audits, preparation of an assurance activity plan that included programmatic monitoring, and the budgeting for and funding of the assurance activities.</p> <p>In addition to HACT procedures RRMP partners were subjected to more complex procedures in accounting for cash transfers. In addition to the Funding Authorization and Certificate of Expenditures form and the activity report, they were also required to submit an expenditure report, an expenditure statement, an expenditure certificate, a comparison budget sheet and an extract from the relevant Activity Info report. The RRMP partners were also required to submit a twice-yearly narrative report and an annual narrative and financial report. The</p>	<p>The UNICEF Country Office agreed to review and simplify the reporting requirements for RRMP partners on the use of cash transfers, by aligning its procedures with the HACT guidance, and using information collected through HACT assurance activities to ensure that the cash transferred was used as per the agreed activities. The office also agreed to monitor the performance indicator related to timeliness of disbursement of cash transfers, identify causes of long delays and</p>



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		implementing partners indicated that these requirements were heavy, time-consuming and went beyond HACT requirements. There were also significant delays in releasing cash transfers to the implementing partners, resulting in implementation delays.	take corrective action to address the causes identified.
<b>9. Other agency specific audited areas including project implementation/management</b>			
OCHA	Administration	<p>In accordance with the United Nations Secretariat Procurement Manual, requisitioners were responsible for developing annual acquisition plans, in cooperation with the concerned procurement authority/office, in a timely manner to fulfill such needs and ensure the optimal use of funds. Although OCHA DRC identified its local procurement needs for 2010, 2011 and 2012 (as of September 2012) which were estimated to about \$440,000, \$541,500, and \$580,830, respectively, it did not develop acquisition plans in collaboration with the local UNDP Office, its service provider.</p> <p>In accordance with the OCHA Field Administrative Manual, the Country Office had a limited procurement delegation of authority of \$2,500. Any local procurement above \$2,500 was to be carried by the UNDP Country Office which was the designated service provider. Instead, OCHA DRC carried out a significant number of local procurement, particularly in its field offices. Procurement included fuel, office supplies, vehicle maintenance, and information and communication technology equipment. A significant number of purchase orders were issued to the same supplier for the same goods or services within the same month or year. Furthermore, a number of purchase order amounts were close to the maximum authority limit of the Head of Office, indicating a potential circumvention of the authority level, thus avoiding procurement through UNDP as required. Although the value of each of the purchase orders was below \$2,500, collectively they exceeded \$2,500, the threshold whereby purchase orders must be approved by UNDP.</p>	<p>OCHA agreed to ensure that the Country Office in DRC develop an annual local acquisition plan and consolidate purchases for efficiency and compliance with the established procurement policies and procedures.</p> <p>OCHA accepted the recommendation and stated that the 2014 annual acquisition plan has been completed and would be shared with the UNDP Country Office. In addition, OCHA DRC and UNDP have entered into a Service Level Agreement to ensure efficient service delivery, including for local procurement.</p>

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		<p>OCHA DRC provided two main reasons why the procurement was not carried out through UNDP: (a) it took longer to go through the approval process in UNDP, which delayed emergency response operations; and (b) in some areas of DRC, there was only one vendor leaving no choice but to purchase from the same vendor. However, the main cause for not purchasing through UNDP was related to the lack of an annual acquisition plan. As a result, the office had engaged in inefficient procurement processes which undermined price competition, increased workload and related costs at the supplier and service provider level, and required devoting substantial staff time to process multiple purchase orders of \$2,500 or less.</p> <p>The bulk of recurring procurement activities related to the sub-offices presented a major challenge to the OCHA DRC office due to the complexity of the humanitarian situation in the country and the lack of qualified suppliers in areas of OCHA's presence. OCHA DRC needed to find ways to provide effective support to the sub-offices and their antennas and to its Kinshasa operations. In most of the regions where OCHA was present, at least one main United Nations agency with established support services was present. The most widely used tool of collaboration was the long-term service agreement with a supplier to which any United Nations agency could sign in and benefit from. Most of the long-term service agreements were managed by UNDP which was also OCHA's main service provider. The terms of the agreement were generally favorable and the buyer did not have to seek three quotations in line with the procurement policies.</p> <p>However, OCHA did not always utilize long-term service agreements to buy fuel for its sub-offices and antennas. The purchases were made raising individual purchase orders of less than \$2,500, resulting in an average of 46 transactions</p>	<p>OCHA should ensure that the Country Office in DRC: (a) uses the United Nations service providers for fuel supply and vehicle maintenance and repairs in the regions; and (b) uses existing United Nations agencies' long-term agreements for its procurement of goods and services.</p>

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		<p>annually. OCHA could have considered approaching main United Nations agencies in the same areas for fuel supply, vehicle maintenance and repair, or other various purchases. MONUSCO was widely present in DRC with adequate capacity to provide such services. At the time of the audit, the United Nations agencies were in the process of finalizing the long-term service agreement with MONUSCO.</p> <p>According to the OCHA Field Administrative Manual, field offices are required to establish control <i>systems</i> for the inventory of OCHA property which must be properly labeled and inventoried with sufficient information. A review of the inventory reports submitted by OCHA DRC in 2011 and 2012 indicated two issues related to inventory valuation and management.</p> <p>The value of items needing write-off actions was incomplete. According to the office, most of these items had been stored in warehouse for a while. The office had not considered them for disposal or write-off.</p> <p>The inventory items included 45 vehicles, which had the same mileage reading as in the previous report, indicating that the inventory list was simply copied without actual physical check.</p>	<p>OCHA accepted the recommendation and stated that it has consulted with UNDP, and in conjunction with other United Nations agencies, long-term service agreements were established under UNDP's umbrella to provide services related to the supply of fuel, vehicle maintenance and repair, and internet connectivity. Based on the actions taken by OCHA, the recommendation is closed.</p> <p>OCHA should ensure that the Country Office in DRC effectively carries out a physical inventory of its property and identify all unserviceable or obsolete items for disposal or write-off.</p> <p>OCHA accepted the recommendation and stated that physical inventory was completed for OCHA Kinshasa and Bukavu and that staff were on mission to complete physical control for sub-offices and antennas to complete the whole process before 31 December 2013. Based on the actions taken by OCHA, the recommendation is closed.</p>