

**UNITED NATIONS DEVELOPMENT PROGRAMME**  
**Office of Audit and Investigations**



*Empowered lives.  
Resilient nations.*

**AUDIT**

**OF**

**ADMINISTRATIVE AGENT FUNCTION**

**OF THE COMMON HUMANITARIAN FUND FOR SOMALIA**

**Report No. 1259**  
**Issue Date: 21 January 2014**

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**Report on the audit of Administrative Agent function  
of the Common Humanitarian Fund for Somalia  
Executive Summary**

The UNDP Office of Audit and Investigations (OAI) conducted an audit of the Administrative Agent function of the Common Humanitarian Fund for Somalia (CHF-Somalia) from 13 to 22 November 2013. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the Administrative Agent function with regard to the CHF-Somalia and covered the period from 1 January 2012 to 31 October 2013. During the period reviewed, the UNDP Multi-Partner Trust Fund (MPTF) Office recorded donor contributions of approximately \$240.7 million and transfers to participating United Nations organizations of approximately \$234.2 million. This was the first audit of the Administrative Agent function relating to the CHF-Somalia by OAI.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

**Overall audit rating**

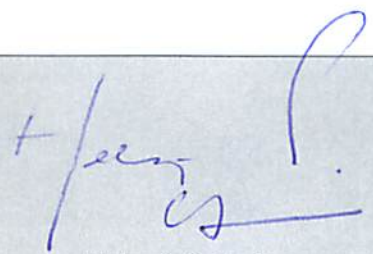
OAI assessed the Administrative Agent function of the CHF-Somalia carried out by the MPTF Office as **satisfactory**, which means that "Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited area."

**Key recommendations**

The audit did not result in any recommendations.

**Management comments and action plan**

Issues with less significance have been discussed directly with management and actions have been initiated to address them.



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## I. About the CHF

The CHF-Somalia was established on 29 June 2010 as an upgrade of the existing Humanitarian Response Fund in Somalia to a larger and more strategic Common Humanitarian Fund. Similar to the Sudan CHF, the Democratic Republic of the Congo Pooled Fund and the Central African Republic CHF, it is a pooled funding mechanism under the overall authority of the Humanitarian Coordinator that is intended to support national NGOs, international NGOs and UN agencies providing humanitarian assistance to people in need, in a strategic and timely manner. The CHF has two main objectives: (a) strategically fund assessed humanitarian action in Somalia to improve the timeliness and coherence of the humanitarian response, and (b) support priority clusters and regional priorities in accordance with identified needs.

The Humanitarian Coordinator, supported by OCHA, manages the CHF-Somalia. The MPTF Office serves as the Administrative Agent, receiving funds for the CHF from donors and disbursing them to participating United Nations organizations and IOM, according to the allocation decisions of the Humanitarian Coordinator, as well as providing financial reports and statements on the utilization of the Fund.

## II. Audit results

Satisfactory performance was noted in all areas reviewed, as follows:

- (a) Accounting for donor contributions. The administrative fee was accurately and promptly recorded in Atlas and acknowledgements for contributions received were sent to all donors in a timely manner.
- (b) Accounting for transfers of funds to participating United Nations organizations. In all cases reviewed (23 fund transfers totalling \$89 million or 71 percent of the total transfers during the audit period), all funds were transferred within two business days instead of the established three to five business days. They were also noted to be all adequately supported by payment vouchers in Atlas. OAI's analysis indicated that the efforts of the MPTF Office to expedite the transfer process had been successful and should be commended.
- (c) Certified financial reporting on sources and use of funds. The amounts in Fiscal Year 2012 certified financial reports co-signed by the UNDP Chief Finance Officer and the Executive Coordinator of the MPTF Office agreed with the information on the MPTF Office GATEWAY (an MPTF portal with useful information for partners and contributors).
- (d) Expense reporting by participating United Nations organizations through the UNEX System, which is a web-interface system that allows participating organizations to directly upload expenditure data for their pass-through financial reporting purposes. OAI's review of 22 expense reports covering a total of \$68.4 million or 89 percent of total posted expenses for the audit period disclosed that all reports except for one were submitted by the 30 April deadline.

The audit did not result in any recommendations.

Low priority issues/recommendations were discussed directly and agreed with the Office and are not included in this report.

## Definitions of audit terms - ratings and priorities

### A. AUDIT RATINGS

- **Satisfactory** Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity. *(While all UNDP offices strive at continuously enhancing their controls, governance and risk management, it is expected that this top rating will only be achieved by a limited number of business units.)*
- **Partially Satisfactory** Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity. *(A partially satisfactory rating describes an overall acceptable situation with a need for improvement in specific areas. It is expected that the majority of business units will fall into this rating category.)*
- **Unsatisfactory** Internal controls, governance and risk management processes were either not established or not functioning well. The issues were such that the achievement of the overall objectives of the audited entity could be seriously compromised. *(Given the environment UNDP operates in, it is unavoidable that a small number of business units with serious challenges will fall into this category.)*

### B. PRIORITIES OF AUDIT RECOMMENDATIONS

- **High (Critical)** Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP and may affect the organization at the global level.
- **Medium (Important)** Action is required to ensure that UNDP is not exposed to significant risks. Failure to take action could result in negative consequences for UNDP.
- **Low** Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.