

**CONSOLIDATED REPORT**

**ON**

**THE AUDIT OF THE SOUTH SUDAN COMMON HUMANITARIAN FUND**

**Report No. 1618**

**Issue Date: 11 May 2017**

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## **Report on the Audit of South Sudan Common Humanitarian Fund Executive Summary**

### **Background**

The members of the United Nations Representatives of Internal Audit Services (UN-RIAS) agreed to undertake a joint audit of the South Sudan Common Humanitarian Fund (South Sudan CHF) based on an audit risk assessment carried out by the UNDP Office of Audit and Investigations (OAI) in 2014. This consolidated summary audit report presents the main findings and recommendations and status of their implementation from audits of the South Sudan CHF carried out by the Internal Audit Services of the Participating United Nations Organizations (PUNOs). The findings and recommendations in the audits of the Administrative and Managing Agent functions covered the period 1 January 2014 - 30 April 2015, the audit of the governance arrangements that covered the period 1 January 2014 - 30 September 2015, and various audits carried out by the Internal Audit Services of the PUNOs that covered 2014 and part of 2015. The exact period covered varied, depending on the Internal Audit Services of the PUNOs. The last report was issued 28 December 2016.

The joint audit was conducted in accordance with the Framework for Joint Internal Audits of United Nations Joint Activities (the Framework) endorsed by the UN-RIAS. The audits were conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

The Engagement Steering Committee (the Committee) for the joint audit of the South Sudan CHF was established in May 2015, in accordance with the Framework. The Committee comprised the Internal Audit Services of FAO, IOM, UNESCO, UNFPA, UNHCR, UNICEF, UNDP, UNOPS, WHO and the United Nations. The current consolidated report builds upon the audits conducted by FAO, UNFPA, UNHCR, UNICEF, UNDP, UNOPS and the United Nations.

The South Sudan CHF was established in February 2012 by the United Nations Emergency Relief Coordinator to support timely allocation and disbursement of donor resources to critical humanitarian needs. The South Sudan CHF is a country-based pooled fund mechanism that operates under the overall authority of the Humanitarian Coordinator (HC), and is intended to support national and international non-governmental organizations (NGOs) and United Nations agencies providing humanitarian assistance to persons in need in a strategic and timely manner. The South Sudan CHF aims to give the HC, in consultation with the South Sudan CHF Advisory Board, the ability to prioritize funds for humanitarian needs, encourage early donor contributions and allow rapid response to unforeseen needs. Each PUNO has full financial and programmatic accountability for the funds received.

From its inception through the end of 2016, the South Sudan CHF received a total of \$528 million from donors. Total net transfers to PUNOs were \$525 million and cumulative expenditure amounted to \$442 million, according to financial information available on the Multi-Partner Trust Fund Office website.

### **Coverage and audit results**

The joint audit of the South Sudan CHF comprised the following audits:

1. Audit of the Administrative Agent function conducted by OAI/UNDP (OAI Report No. 1494, issued 4 September 2015), which had a 'Satisfactory' rating and contained no recommendations.
2. Audit of the Managing Agent function conducted by OAI/UNDP (OAI Report No. 1546, issued on 16 October 2015). The audit had a 'Partially Satisfactory' rating and contained three recommendations. As of April 2017, all of the recommendations had been implemented.

3. Joint audit of the governance arrangements of the South Sudan CHF carried out by an inter-agency team of auditors<sup>1</sup> (OAI Report No. 1558, issued on 28 December 2016). The audit was rated as 'Partially Satisfactory' and had four recommendations; three of them remained open and one had been implemented as of April 2017.
4. Individual audits performed by the Internal Audit Services of FAO, UNFPA, UNICEF, UNDP, and UNOPS of programmatic and operational activities of their respective organizations in relation to the South Sudan CHF, including expenses tests of their projects. Audit issues raised from the United Nations, UNDP, UNFPA and UNICEF audits are included in this consolidated report and are grouped by issue area.

The Office of Internal Oversight Services (OIOS) of the United Nations also separately published a report on their audit of the Office for the Coordination of Humanitarian Affairs (OCHA) in South Sudan on 29 April 2016, which was rated as 'Partially Satisfactory'.

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<sup>1</sup> The joint audit team comprised the Office of Internal Oversight Services (OIOS) of the United Nations; the Office of Audit and Investigations (OAI) of the United Nations Development Programme; the Office of Audit and Investigation Services (OAIS) of UNFPA; and the Internal Audit and Investigations Group (IAIG) of UNOPS.

***"Signed"***

Helge S. Osttveiten  
Director  
Office of Audit and Investigations  
UNDP

Thierry Rajaobelina  
Inspector General  
Office of the Inspector General  
FAO

Eleanor T. Burns  
Director  
Internal Audit Division  
Office of Internal Oversight Services  
United Nations

Fabienne Lambert  
Director  
Office of Internal Audit and Investigations Services  
UNFPA

Paul Manning  
Director  
Office of Internal Audit and Investigations  
UNICEF

Paul Lucas  
Director  
Internal Audit and Investigations Group  
UNOPS

## I. About the South Sudan Common Humanitarian Fund

The South Sudan CHF was established in February 2012 by the United Nations Emergency Relief Coordinator to support the timely allocation and disbursement of donor resources to critical humanitarian needs in South Sudan. The South Sudan CHF is a country-based pooled fund mechanism that operates under the overall authority of the HC, and is intended to support national and international NGOs and United Nations agencies providing humanitarian assistance to persons in need in a strategic and timely manner. The South Sudan CHF aims to give the HC, in consultation with the South Sudan CHF Advisory Board, the ability to prioritize funds for humanitarian needs, encourage early donor contributions and allow rapid response to unforeseen needs.

The governance arrangements of the South Sudan CHF comprised the HC, who leads and coordinates the management of the South Sudan CHF; the South Sudan CHF Advisory Board, which provides guidance to the HC in the management of the South Sudan CHF; the joint OCHA-UNDP Technical Secretariat, which is headed by OCHA and falls under the supervision of the HC, entrusted to ensure adequate and efficient management of the South Sudan CHF.

The UNDP Multi-Partner Trust Fund Office located in New York serves as the Administrative Agent of the South Sudan CHF.

In addition, UNDP serves as PUNO for NGO-implemented projects, performing the functions established by global corporate practices as those of 'Managing Agent' through its Country Office in South Sudan. The relationship between UNDP and the NGO implementing partners is guided by UNDP rules and regulations.

Each PUNO implements programme/project activities for funds received and has full financial and programmatic accountability for the use of the funds.

From 2012 through the end of 2016, the South Sudan CHF received a total of \$528 million in deposits from donors and transferred \$525 million to PUNOs. During the same period, the Administrative Agent recorded PUNO expenditures of \$428 million and refunds of \$13.8 million. The balance of \$83 million was managed by the PUNOs.<sup>2</sup>

**Table 1. Fund overview Administrative Agent 2012-2016**

<b>Funds with Administrative Agent</b>	<b>As of 31 Dec 2016 (\$)</b>
Deposits	528,039,057
Interest and Investment Income (from Fund)	187,159
Interest (from South Sudan CHF Participating UN Organizations)	8,523
<b>Total source of funds</b>	<b>528,234,739</b>
Transferred to PUNOs	524,935,703
Refunds from PUNOs	(13,845,241)
Administrative Agent Fee	5,280,391
Direct Cost	5,739,171
Bank Charges	3,058
<b>Total use of funds</b>	<b>522,113,082</b>
Balance with Administrative Agent	6,121,657
As a percentage of deposits	1.2%

Source: South Sudan CHF data from the Multi-Partner Trust Fund Office Gateway

<sup>2</sup> The term 'expenditure' is used throughout the report following Multi-Partner Trust Fund Office terminology.

**Table 2. Fund overview Participating Organizations 2012-2016**

<b>Funds with PUNOs</b>	<b>As of 31 December 2016 (\$)</b>
Transferred to PUNOs	524,935,703
<b>Total resources</b>	<b>524,935,703</b>
PUNO Expenditures	428,137,444
Refunds from PUNOs	13,845,241
<b>Total expenses</b>	<b>441,982,686</b>
Balance with PUNOs	82,953,017

Source: South Sudan CHF data from the Multi-Partner Trust Fund Office Gateway

**Table 3. Transfers and recorded expenditures of the South Sudan CHF (2012-2016)**

<b>Participating Organization</b>	<b>As of 31 December 2016 (\$)</b>	
	<b>Transfers</b>	<b>Expenditure</b>
FAO	26,135,295	20,608,193
IOM	80,403,123	63,591,627
NGO/UNDP	257,098,630	211,484,266
UNDP	856,000	762,698
UNESCO	490,000	482,880
UNFPA	8,866,109	6,264,367
UNHCR	15,072,129	14,872,287
UNICEF	70,077,093	57,741,467
UNOPS	10,017,892	9,148,683
WFP	44,842,718	34,915,794
WHO	11,076,714	8,265,181
<b>Total</b>	<b>524,935,703</b>	<b>428,137,444</b>

Source: South Sudan CHF data from the Multi-Partner Trust Fund Office Gateway.

## II. Audit scope

The audit of the Administrative Agent (UNDP's Multi-Partner Trust Fund Office) was conducted by OAI/UNDP in 2015 (OAI Report No. 1494, issued on 4 September 2015). The Managing Agent function (performed by UNDP South Sudan) was audited by OAI/UNDP in 2015 (OAI Report No. 1546, issued on 16 October 2015). The governance arrangements of the South Sudan CHF were jointly audited by OIOS, UNDP, UNFPA and UNOPS over 2015 and 2016 (OAI Report No. 1558, issued 28 December 2016). During 2015 and 2016, the Internal Audit Services of six PUNOs conducted individual audits of their agencies' programmatic and operational activities and included, in their test samples, expenditures of projects financed by the South Sudan CHF. The periods audited and the expenditures covered by the Internal Audit Services of the PUNOs are listed in Table 4. OIOS also audited OCHA's coordination of the humanitarian response in South Sudan, including management of the CHF, covering the period from January 2014 to September 2015 (OIOS Report 2016/038, issued on 29 April 2016).

## III. Consolidated findings

### 1. Governance arrangements

A team of auditors from UNDP, UNFPA, UNOPS and OIOS conducted a joint audit of the governance arrangements of the South Sudan CHF, which included a field mission from 30 November to 7 December 2015. The joint audit covered governance arrangements of the South Sudan CHF from 1 January 2014 to 30 September 2015. The audit assessed the governance arrangements of the South Sudan CHF as 'Partially Satisfactory', which means "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.”

## 1.1 Advisory Board

### Need to clarify the role of the South Sudan CHF Advisory Board in the reserve allocation process

The joint audit team noted that responsibilities of the Advisory Board were clarified with a sufficient level of detail in a new South Sudan CHF Advisory Board Terms of Reference (TOR) finalized in November 2015. A new Operations Manual (the Manual), which was being finalized, however excluded specifics of the role of the Advisory Board in the South Sudan CHF reserve allocation process.

The joint audit team recommended that OCHA, in consultation with PUNOs, leverage the ongoing development of the new Manual to clarify the nature and extent of consultation required of the Advisory Board in the South Sudan CHF reserve allocations process, including the situations where consultation is mandated, in line with the July 2015 Protocol. Management accepted the recommendation and pledged to include additional guidance clarifying the language used in the July 2015 Protocol, in the Manual. The Manual was finalized and issued in December 2016 after consultations with the Advisory Board and taking into account the July 2015 Protocol.

## 1.2 Risk management

### Incomplete risk mitigation process

The South Sudan CHF has had a Risk Management Framework in place since February 2015. Generally, the Framework was aligned with the requirements of OCHA’s Operational Handbook for country-based pooled funds. Section 7 of the South Sudan CHF Risk Management Framework establishes an action plan to address or mitigate the risks identified in the Framework. That action plan included 17 risk mitigation measures. The joint audit team observed, however, that 7 out of 17 risk mitigation measures (41 percent) had not been fully implemented, namely monitoring and reporting, adherence to policies and decisions, resource acquisition, communications, coordination with donors, coordination with partners, and seasonality.

The joint audit team recommended that the HC, in consultation with the Advisory Board, and with support from the OCHA Country Office and the joint OCHA-UNDP Technical Secretariat, complete the risk mitigation process and update the risk treatment table in the Risk Management Framework. Management agreed to review the Risk Management Framework and update it to reflect progress it had made to implement risk mitigation measures. As of the date of issuance of this report, implementation of the recommendation was in progress.

## 1.3 Resource mobilization

### Absence of a resource mobilization strategy

The joint audit team observed that a formal and finalized strategy for resource mobilization of the South Sudan CHF was not in place. Further, the joint audit team observed the following:

- Total contributions decreased from \$129 million in 2014 to \$99 million in 2015 (a decrease of \$30 million or 23 percent).
- Donors were not diversified. Of the cumulative total contribution to the South Sudan CHF of \$470 million since 2012, 47 percent (or \$222 million) had been contributed by the United Kingdom, 17 percent by Sweden (\$79 million), 10 percent by the Government of the Netherlands (\$46 million) and 9 percent by the Government of Norway (\$41 million). The remaining 17 percent had been contributed by eight donors, each contributing, over the life of the fund, no more than 5 percent of the total.



Since OIOS conducted an audit of resource mobilization in OCHA (OIOS Report No. 2016/090, 23 August 2016), which recommended a coordinated and comprehensive resource mobilization strategy for country-based pooled funds, no recommendation was issued in the joint governance audit report (OAI Report No. 1558, 28 December 2016).

#### 1.4 Monitoring of results

##### Incomplete records and sharing of information restrict the work of the joint OCHA-UNDP Technical Secretariat

The joint audit team noted outdated records and an inadequate filing system of capacity assessments by the joint OCHA-UNDP Technical Secretariat, as well as assessments by the Managing Agent. The audit also noted that capacity assessment reports of NGO implementing partners conducted by other United Nations agencies under the Harmonized Approach to Cash Transfers (HACT) Framework were shared with the Managing Agent. However, there were instances when the capacity assessments conducted by one United Nations agency were not readily available for sharing with another United Nations agency – a situation which gave rise to plans to develop an interactive HACT database where each agency could upload the reports relating to development partners (micro-assessments, spot checks and audits).

The Partner Performance Index is a tool used by staff of the joint OCHA-UNDP Technical Secretariat to support the clearance for project proposals, for further endorsement by the Advisory Board and approval by the HC. The Index relies on the external audit reports of projects implemented by its NGO implementing partners. The audit noted that the Managing Agent had not implemented a formal process to share the external audit reports. Although a staff member from the Managing Agent assigned to work at the joint Technical Secretariat (who was not always co-located with the OCHA staff) provided the opinions of the audit reports, the reports, or summaries of the reports and the audit opinions were not available at the joint Technical Secretariat.

The joint audit team recommended that the HC instruct the joint OCHA-UNDP Technical Secretariat to improve the management and sharing of records and filing system of capacity assessment reports and external project audit reports covering NGO implementing partners. Management accepted the recommendation and agreed to establish arrangements for the improved management, archiving and sharing of documents. As of the date of issuance of this report, implementation of the recommendation was in progress.

##### South Sudan CHF monitoring system not yet streamlined

During the review of the existing monitoring system managed at the cluster level, the joint audit team (OIOS Report No. 2016/38, 29 April 2016) noted the following:

- The inter-agency Monitoring and Reporting Framework had not been finalized.
- There was limited capacity for adequate monitoring of the South Sudan CHF.
- United Nations Volunteers who were responsible for programmatic monitoring of CHF projects were also often asked to carry out regular cluster functions, which compromised their operational independence in project monitoring.
- There was an absence of qualitative indicators to measure performance.
- There was a lack of a follow-up system on recommendations, which was envisioned as a module in the Grant Management System.

As a result, the HC and the OCHA Country Office in South Sudan had no formal basis to provide assurance that CHF projects implemented by PUNOs were subjected to regular financial monitoring.

OIOS recommended that the OCHA Office in South Sudan, in collaboration with the HC, establish a mechanism to document regular project monitoring and other oversight activities of the PUNOs, including the Managing Agent, and summarize actions taken to address any challenges faced in project implementation. Management accepted and implemented the recommendation.

### Lack of quality assurance in data contained in the narrative reports from implementing partners

The joint audit team noted that the consolidation of narrative reports from NGO implementing partners and PUNOs were based on their periodic self-reporting with no defined quality assurance mechanism to ensure data quality. Although the Clusters' Monitoring and Reporting Specialists reviewed the consistency of the information reported, the narrative reports did not provide adequate content to convey to the reader that the resources from the South Sudan CHF were being used in an effective way.

The audit team recommended that the HC, with support from the joint OCHA-UNDP Technical Secretariat, ensure quality and accuracy of the information reported to stakeholders on the South Sudan humanitarian response. Management agreed and would review the process of consolidating and reviewing the narrative reports submitted by partners to ensure quality and accuracy. As of the date of issuance of this report, implementation of the recommendation was in progress.

## **2. Administrative Agent function**

OAI/UNDP, from 1 to 12 June 2015, conducted an audit of the Administrative Agent function of the South Sudan CHF, which was under the responsibility of the UNDP Multi-Partner Trust Fund Office (OAI Report No. 1494, issued 4 September 2015). The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas and subareas:

- Governance and strategic management (organizational structure and delegation of authority, monitoring and reporting);
- Accounting for donor contributions;
- Accounting for transfer of funds to PUNOs and the International Organization for Migration;
- Certified financial reporting on sources and use of funds; and
- Expense reporting by PUNOs and the International Organization for Migration through the UNEX System (a web-based interface system that participating organizations used to report expenditure data).

The audit covered activities of the Administrative Agent function of the South Sudan CHF from 1 January 2014 to 30 April 2015. During this audit period, the South Sudan CHF recorded fund contributions totalling \$199 million (including \$33 million carried over from 2013) and fund disbursements totalling \$188 million. This was the first audit of the Administrative Agent function of the South Sudan CHF.

OAI/UNDP assessed the Administrative Agent function of the South Sudan CHF as 'Satisfactory', which means "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."

## **3. Managing Agent function**

OAI/UNDP conducted an audit of the Managing Agent function of the South Sudan CHF, which has been entrusted to the UNDP Country Office in South Sudan since the inception of the South Sudan CHF in 2012 (OAI Report No. 1546, 16 October 2015). The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to key aspects of the management of NGO implementing partners, namely: (a) fund allocations and disbursements; and (b) programmatic and financial oversight and controls.

The audit covered the activities of the Managing Agent from 1 January 2014 to 30 April 2015. During the period under review, the Managing Agent recorded project expenditures totalling \$80 million. This was the first audit of the Managing Agent function. The following control weaknesses were noted:

### Lack of processes, metrics and documentation for timeliness of disbursements to NGOs

The audit reviewed a sample of 23 projects implemented by NGOs, with total reported expenditures of \$16.6 million (21 percent of the total expenditures for the audited period). The following instances of noticeably long processing times were noted:

- Days from the Managing Agent's contractual acceptance of responsibility to the receipt of funds from the Administrative Agent ranged from 3 to 18 days, or an average of 8 days.
- Days from the Managing Agent's receipt of funds from the Administrative Agent to disbursement of the first advance to the NGOs ranged from 4 to 43 days, or an average of 23 days.
- Days from the date of signing the Project Partnership Agreements by the NGOs (including submission of request for initial advance), to the disbursement of the initial advance by the Managing Agent, ranged from 3 to 34 days or an average of 9 days.
- Days to disburse the initial advance to the implementing partners that had not undergone a capacity assessment took more than an average of 14 days.

OAI/UNDP recommended that the UNDP Country Office finalize the standard operating procedures for processing payments to NGOs and monitor its compliance with agreed timeframes. Management accepted and implemented the recommendation in June 2016.

#### Lack of system and controls on implementing partner performance and risk assessment

The UNDP Country Office had not developed an assurance plan, as supported by the HACT Framework, to review the performance of implementing partners comprehensively. In addition, the Office only reviewed the implementing partners' requests for advances and expenditure reports against approved project budgets in the absence of supporting documentation and without an associated review of the programmatic aspects of the projects. The Office also relied on the results of a periodic financial audit of projects to identify any refunds due from implementing partners, which led to eventual delays in accounting for potential refunds.

OAI/UNDP recommended that the UNDP Country Office, in collaboration with OCHA, implement an assurance plan for all implementing partners, consistent with the HACT Framework. Management accepted and implemented the recommendation in June 2016.

#### Lack of consistency and clarity in reference documents resulting in unclear responsibilities

The TOR for the South Sudan CHF required a narrative report from the NGOs, including quantitative data on project implementation, to be submitted on a quarterly basis. However, the Project Partnership Agreement, signed between the UNDP Country Office and the NGOs, specified a frequency for this same requirement as every six months. In addition, even though the contractual relationship of the NGOs was with the Office, they applied for and (if approved) were directly granted no-cost extensions for their implementation services by the HC and without a reference to the initial Project Partnership Agreement signed with the Office. Lastly, the TOR for the South Sudan CHF contained language highlighting that the Monitoring and Reporting Framework was under development and would be finalized in close coordination with donor representatives, cluster coordinators, PUNOs, and NGOs.

OAI/UNDP recommended that the UNDP Country Office liaise with the joint OCHA-UNDP Technical Secretariat and the HC to review the TOR of the Secretariat to complete the Monitoring and Reporting Framework. OAI also recommended that UNDP Country Office amend its standard Project Partnership Agreement to ensure consistency with the South Sudan CHF TOR. Management accepted and implemented these recommendations in November 2016.

#### Unclear if value for money was being received from services rendered by the Managing Agent

In its audit report on the operations of OCHA in South Sudan (OIOS Report No. 2016/38, 29 April 2016), OIOS found that the TOR for the South Sudan CHF provided that NGO partners would access the South Sudan CHF through the UNDP Country Office, which served as the Managing Agent for NGOs. The Managing Agent was to

assume programmatic and financial accountability for funds received from the Administrative Agent and support project monitoring activities undertaken by the joint OCHA-UNDP Technical Secretariat. However, according to the joint OCHA-UNDP Technical Secretariat, it was agreed that the Managing Agent would primarily focus on disbursements and not take on programmatic monitoring of NGO projects. There was also no evidence at the joint OCHA-UNDP Technical Secretariat that the Managing Agent performed periodic financial spot checks on NGO-implemented CHF projects. Furthermore, a P-4 position that the Managing Agent placed at the joint OCHA-UNDP Technical Secretariat had been vacant since August 2015. Consequently, it was doubtful whether value for money was received from the services that the Managing Agent rendered in managing the implementation and monitoring of NGO-implemented projects.

OIOS recommended that OCHA, in collaboration with the HC, review the services that the Managing Agent was required to provide under the TOR for the South Sudan CHF and address any gaps in services rendered. Management accepted the recommendation. As of the date of issuance of this report, implementation of the recommendation was in progress.

#### Delays in refunds to the Administrative Agent limit the availability of funding for future allocations

In its audit of the Managing Agent function in June 2015, OAI/UNDP took note of delays in closing projects. The amounts of refunds due to the Administrative Agent were unknown at the time of the audit. Subsequent to the audit, the UNDP Country Office in South Sudan, as the Managing Agent, refunded to the Administrative Agent \$11.4 million in December 2016. This was the refundable cash balance for projects under its management since 2012 and was approximately 5 percent of the total funds transferred to the Management Agent.

**Table 4. Refunds from the Managing Agent to the Administrative Agent in December 2016**

Disbursement year	Allocation Type*	Remaining cash balance (\$)
2012	Two standard and one reserve	1,636,230
2013	Two standard and one reserve	3,174,000
2014	Two standard and one reserve	4,118,132
2015	One reserve	2,542,755
<b>Total</b>		<b>11,471,117</b>

\* Standard allocation model was an allocation through which most of CHF funding was allocated to activities within the Consolidated Appeal Process. A CHF reserve was an allocation of funds kept within the CHF in the event of unforeseen needs and emergencies, as approved by the HC.

In response to the OAI/UNDP query on delayed closure of projects during the audit fieldwork in June 2015, the joint OCHA-UNDP Technical Secretariat indicated that monitoring of reports through the Grant Management System (which was pending full implementation as at December 2015) would speed up the submission of final narrative and financial reports and help expedite closure of projects by the Managing Agent and PUNOs. The joint audit team noted the delays were being addressed and improvement was being made. Thus, the joint audit team encouraged the Technical Secretariat to continue its efforts.

#### **4. CHF projects implemented by PUNOs**

The Internal Audit Services of six of the PUNOs<sup>3</sup> conducted individual audits of their agency's programmatic and operational activities, and tested expenditures of projects funded by the South Sudan CHF, during 2015. The dates covered by their audit are provided in Table 4.

<sup>3</sup> The Office of the Inspector General at the Food and Agriculture Organization; the Office of Internal Oversight Services (OIOS) of the United Nations (including the UNHCR audit service); the Office of Audit and Investigations of the United Nations Development Programme (OAI); the Office of Audit and Investigation Services of UNFPA (OAIS); and the Internal Audit and Investigations Group of UNOPS (IAIG), and the Office of Internal Audit and Investigations of UNICEF (OIAI).

The Internal Audit Services of FAO, UNOPS and UNHCR did not identify any issues during their audit of the projects funded by the South Sudan CHF.

**Table 5. South Sudan CHF expenses audited by the Internal Audit Service of each PUNO**

	Dates covered by the audit	Expenditure audited	Report number	Date
FAO	June 2013- May 2015	\$2.7 million	AUD 2715	Dec-15
UNDP	1 Jan 2014- 30 April 2015	\$80 million	1546	Oct-15
UNFPA	1 Jan 2014- 30 June 2015	\$3.4 million	IA/2016-11	Dec-16
UNHCR	2014 -2015	\$2 million	2016/49	May-16
UNICEF	1 Jan 2014- 2 Feb 2015	\$7.8 million	2015/25	Aug-15
UNOPS	1 Jan 2014- 20 Feb 2015	\$30.8 million*	IAIG/5002*	May-15

Source: Audit periods and expenditures as reported by the Internal Audit Services.

\*IAIG/UNOPS opinion was based on limited scope audit procedures which were performed using a sample basis. During the audit, no material issues had come to IAIG's attention that would indicate that a different rating was more appropriate.

## 4.1 Financial management

### Enhance financial monitoring of implementing partner activities

The Office of Audit and Investigations Services (OAIS) of UNFPA found that there was limited financial monitoring of implementing partners, including those implementing South Sudan CHF activities, during the period under review. Financial monitoring activities were not incorporated in the 2015 Monitoring and Evaluation Plan presented to the audit for review and the analysis of recommendations collated from field trip reports did not include any financial monitoring findings. Further, the UNFPA Country Office in South Sudan had not developed tools or checklists to assist in the financial monitoring of implementing partners. This was mainly due to inadequate supervision at the Country Office level. Financial management issues at implementing partners may not be timely identified and remediated, impacting the ability to achieve the intended programme results. OAIS/UNFPA recommended that the UNFPA Country Office in South Sudan leverage on the upcoming global roll-out of the HACT Framework assurance activities, and enhance implementing partner financial monitoring. It was further recommended to design and implement a monitoring plan and calendar covering financial monitoring requirements, developing, as necessary, appropriate tools and checklists. Management accepted the recommendation. As of 27 February 2017, implementation of the recommendation was in progress.

### Challenges in the processing of financial transactions

The Office of Internal Audit and Investigations (OIAI) of UNICEF selected a sample of financial transactions covering expenditures for South Sudan CHF-funded projects and noted the following.

- Sampled Direct Cash Transfers to implementing partners were not processed and released on time.
- The signatories could not be verified as authorized representatives of the implementing partners.
- The Office took an average of 24 days to approve and verify the liquidations following receipt of the liquidation documents for Direct Cash Transfers from the implementing partners.
- Some of the sampled payments had multiple contractor names in the contracts and/or the invoices, the bank transfers/cheques, or the vendor master records in VISION (Virtual Integrated System of Information), UNICEF's enterprise resource planning system.
- A number of sampled payments for travel were inappropriately processed, having been authorized even though the most economical option was not selected.



- The finance staff member who approved the payment run did not sign the cheque/bank transfer as having performed the release of payment in VISION. Moreover, the preparation of bank reconciliation was performed by a staff member who was the custodian of the cash-on-hand account and had also been given the role of general ledger L1 in VISION, which includes the ability to post adjusting entries. The assignment of the additional roles to the custodian would allow the custodian to hide inappropriate transactions by posting journal entries adjusting any reconciling differences without anyone's knowledge.

OIAI/UNICEF recommended that the UNICEF Country Office in South Sudan review its financial procedures, provide refresher training to staff and improve oversight. Management accepted and implemented the recommendation in February 2016.

## 4.2 Implementing partners

### Enhance the scope and quality of implementing partner assessments

During its audit of the UNFPA Country Office in South Sudan, OAI found that, at the time of the audit field mission in November 2015, only two out of six implementing partners engaged by the office for South Sudan CHF activities during the period under review had undergone capacity assessments since the start of the current country programme cycle. According to management, the implementing partners engaged by the UNFPA Country Office were selected partly based on assessments carried out by other United Nations agencies. The largest implementing partner was subjected to a HACT micro-assessment in 2016. HACT micro-assessments of the remaining five partners, scheduled to be completed by 1 May 2016, had not been released at the time of finalization of the draft audit report in June 2016. It deprived the UNFPA Country Office of relevant information for: (i) selecting the most appropriate cash transfer modalities; (ii) identifying and executing relevant capacity building activities; and (iii) implementing a more effective implementing partner monitoring process, commensurate with the extent and relevance of the capacity gaps identified.

OAI/UNFPA recommended that the UNFPA Country Office promptly complete the scheduled HACT micro-assessments of implementing partners and ensure that they: (i) provide relevant information and documentation of key implementing partner processes and controls; (ii) clearly document the rationale underlying risk scores assigned and their implication on implementing partner management and monitoring processes; and (iii) clearly identify capacity gaps and the required capacity building activities/action plans. Management accepted and implemented the recommendation in February 2017.

### Weak controls over Programme Cooperation Agreements (PCAs)

The audit conducted by OIAI/UNICEF included sampled PCAs with three of them partly funded from South Sudan CHF, and noted the following.

- The results and activities described in the project documents of the three CHF-related PCAs reviewed did not match with those in the related PCA work plans.
- The Office had not established standard rates for frequently incurred expenses, which could have assisted budgeting and its review. Budgets for activities were provided, but were not in accordance with the activities for each quarter. The agreed quarterly instalments were therefore not the estimated expenses for the quarter's activities.
- One of the three CHF-related PCAs reviewed was concluded after activities had started and expenditures been incurred. It had to be signed to reimburse the NGO for about \$1 million "to enable payment of outstanding bills for commitments made and expenditures incurred."
- Although a database for the tracking of PCAs was in use, PCAs for new programmes/projects and their subsequent amendments could not be tracked. Further, the PCAs were not appropriately filed. The Office

stated that it would be introducing Equitrack, an online partner tracking system, to better manage the PCAs.

OIAI/UNICEF recommended that the UNICEF Country Office strengthen oversight of the application of controls over management of PCAs. Management accepted and implemented the recommendation in June 2016.

### 4.3 Reporting on results

#### Deficiencies in the reporting on programmatic and financial reports

OIAI/UNICEF reviewed the reporting of South Sudan CHF-funded projects and found the following:

- Of the 18 reports pertaining to South Sudan CHF, which were due in 2014, 8 were submitted to the joint OCHA-UNDP Technical Secretariat on or before the due dates. However, the remaining eight were submitted late, and the remaining two had still not been submitted although they were long past their due dates as of the start of the audit (February 2015). The eight late reports were submitted an average of 43 days after the reporting deadlines, ranging from 30 to 75 days. The two reports that had not been submitted had been outstanding for 339 days as of the start of the audit. Towards the end of the audit, the UNICEF Country Office indicated that one of two outstanding reports was awaiting management clearance and the other report had apparently been submitted but the office was unable to trace it.
- The two donor reports reviewed, pertaining to South Sudan CHF, did not include financial utilization reports. Instead, only the total expenditures was reported. One was therefore not able to check that the contributions were used in accordance with the agreed budgets/donor agreement. Further, the reported expenditures did not stipulate that the financial figures were interim, with final figures to be provided by the UNICEF Comptroller after the year-end closure of the accounts.
- The audit tested a sample of three reported achievements, which were related to South Sudan CHF-funded projects from among the two donor reports above. It was noted that two of the three sampled reported achievements were inadequately corroborated by supporting documentation and programmatic visits.
- One of the two donor reports related to South Sudan CHF presented a number of results and activities that were not included in the agreements with the donor or the donor proposals.
- None of the two donor reports related to South Sudan CHF had donor feedback forms and did not include human-interest stories to highlight the situation of children and the impact of donor funds on their lives. None of them presented UNICEF's comparative advantage for implementing donor funds, or highlight future priorities of the office.

OIAI/UNICEF recommended that the UNICEF Country Office take steps to prioritize and assign accountability for reporting; establish a donor reporting process, including lead times for issuance of reports; and strengthen quality assurance for donor reporting. Management accepted and implemented the recommendation in March 2016.