



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.

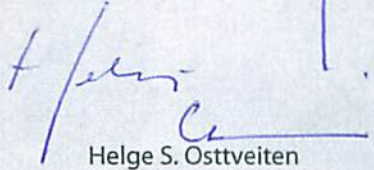
The FAO Office of the Inspector General recommended that the FAO Office follow up with OCHA and the Humanitarian Coordinator on funding to meet the cluster lead agency's responsibilities. The FAO Office stated that it continued to follow up with OCHA, the Humanitarian Coordinator and donors. Their position 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.

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.



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