

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

MANAGING AGENT FUNCTION

OF THE SOUTH SUDAN COMMON HUMANITARIAN FUND

Report No. 1546

Issue Date: 16 October 2015

Report on the Audit of Managing Agent Function of the South Sudan Common Humanitarian Fund Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of the Managing Agent function of the South Sudan Common Humanitarian Fund (CHF), which has been entrusted to the UNDP Country Office in South Sudan (the Office) since the inception of the South Sudan CHF in 2012. The audit took place from 1 to 18 June 2015. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the key aspects of the management of NGO implementing partners, namely: (a) funds allocation 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 audit period, the Managing Agent recorded project expenditures totalling \$80 million. This was the first audit of the Managing Agent function of the South Sudan CHF.

This audit is part of the joint audit of South Sudan CHF approved by the United Nations Representatives of Internal Audit Services. The other parts of the joint audit are: (a) a joint-governance audit to be conducted by the participating United Nations organizations; (b) an Administrative Agent function audit conducted by OAI; and (c) programme and project audits to be conducted separately by the participating United Nations organizations based on their own risk-based planning. A separate report will be issued for each part of the joint audit of South Sudan CHF and a consolidated report will be issued at the conclusion of the joint audit.

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

Overall audit rating

OAI assessed the Office 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.” This rating was mainly due to the high priority issues noted in funds allocation and disbursements as well as programmatic, financial oversight and controls.

Key recommendations Total = 3, high priority = 2

The three recommendations aim to ensure the following: (a) achievement of the organization’s strategic objectives (Recommendation 1); (b) reliability and integrity of financial and operational information (Recommendation 2); and (c) compliance with legislative mandates, regulations and rules, policies and procedures (Recommendation 3).

For two high (critical) priority recommendations, 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. All high (critical) priority recommendations are presented below.

Lack of processes, metrics and documentation for timeliness of disbursements to NGOs (Issue 1)	As of June 2015 the standard operating procedures establishing the expected processing time frames had not been approved nor had necessary systems/procedures been put in place to consistently document the actual processing times relating to financial activities. The review of 23 NGO-implemented projects indicated long processing time. Without established time
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expectations for processing, there was no way to effectively monitor the processing time, and identify and correct delays.

Recommendation: The Office should finalize its standard operating procedure containing time frames for completing key financial activities, monitor compliance with the established time frames, and address delays in disbursing funds to NGOs.

Lack of system and controls on implementing partner performance and risk assessment (Issue 2)

The Office had not developed an assurance plan to more comprehensively review the performance of the implementing partners. The Office reviewed NGO implementing partners' requests for advances and expenditure reports against the approved project budget. However, there was no basis for the Managing Agent to disallow reported expenditures since it did not obtain and review the implementing partner's supporting documentation for the reported expenditures. The Office used only the implementing partners quarterly financial reporting as the basis for recording expenditures and identifying budget variances.

Recommendation: The Office should strengthen funds management by developing and implementing an assurance plan for all NGO implementing partners, consistent with the Harmonized Approach to Cash Transfers framework, which provides for verification of programmatic delivery and review of implementing partner expenditure support documentation based upon assessed risk.

Management comments and action plan

The Country Director accepted all the recommendations and is in the process of implementing them. Comments and/or additional information provided had been incorporated in the report, where appropriate.

Issues with less significance (not included in this report) have been discussed directly with management and actions have been initiated to address them.



Helge S. Ostveiten
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