



AUDIT

OF

ADMINISTRATIVE AGENT FUNCTION

OF THE SOUTH SUDAN COMMON HUMANITARIAN FUND

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

The UNDP Office of Audit and Investigations (OAI) conducted an audit of the Administrative Agent function of the South Sudan Common Humanitarian Fund (South Sudan CHF), which is under the responsibility of the UNDP Multi-Partner Trust Fund Office (the Office), from 1 to 12 June 2015. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas and sub-areas:

- (a) governance and strategic management (organizational structure and delegation of authority, monitoring and reporting);
- (b) accounting for donor contributions;
- (c) accounting for transfer of funds to participating United Nations organizations and the International Organization for Migration;
- (d) certified financial reporting on sources and use of funds; and
- (e) expense reporting by participating United Nations organizations 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 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.

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) a managing agent function audit to be 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.

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 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.”

The audit did not result in any recommendations.

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I. About the South Sudan CHF

The South Sudan CHF was established in February 2012 by the Humanitarian Coordinator for South Sudan, United Nations organizations, and donors, to support the timely allocation and disbursement of donor resources to the most critical humanitarian needs in South Sudan. It is a pooled funding mechanism under the overall authority of the Humanitarian Coordinator that is intended to support national and international NGOs and United Nations organizations, providing humanitarian assistance to people in need in a strategic and timely manner. The South Sudan CHF aims to give the Humanitarian Coordinator, in consultation with the Common Humanitarian Fund Advisory Board, the ability to allocate funds to priority humanitarian needs, encourage early donor contributions and allow rapid response to unforeseen needs.

The UNDP Multi-Partner Trust Fund Office located in New York served as the Administrative Agent for South Sudan CHF. The Administrative Agent function includes:

- (a) receiving contributions from donors to support South Sudan CHF;
- (b) administering funds received, including the provisions relating to the fund account and related matters;
- (c) disbursing funds to the participating United Nations organizations and the International Organization for Migration in accordance with the South Sudan CHF's Terms of Reference and the decisions of the Humanitarian Coordinator;
- (d) maintaining a reserve fund in accordance with the South Sudan CHF's Terms of Reference and the decisions of the Humanitarian Coordinator;
- (e) providing financial reporting to the Humanitarian Coordinator and donors; and
- (f) disbursing funds to participating United Nations organizations and the International Organization for Migration for any additional costs for tasks that the Humanitarian Coordinator may decide to allocate in accordance with the South Sudan CHF's Terms of Reference.

From its inception up to the end of December 2014, the South Sudan CHF received a total of \$370 million in contributions and disbursed a total of \$344 million (93 percent) to participating United Nations organizations and the International Organization for Migration. Of the amounts disbursed, the Office reported a total of \$275 million expensed as of 31 December 2014.

Table 1. Fund Overview as of 31 December 2014 (Source: Consolidated Annual Financial Report on Activities Implemented under the South Sudan Common Humanitarian Fund, 15 May 2015)

Contribution		Net Funded Amount / Expenditure		
Donor	Deposits	Participating UN Organization (PUNO)	Net Funded Amount to PUNOs	Expenditures of PUNOs
Australian Agency for International Development (AusAID)	14,162,000	FAO	15,624,064	15,467,589
Government of Australia	7,009,900	IOM	51,678,790	46,289,772
Government of Belgium	6,276,525	UNFPA	4,777,025	3,515,308
Government of Denmark	20,495,060	UNHCR	13,383,324	13,112,443
Department of International Development (DFID)	169,219,364	UNICEF	46,142,915	34,283,919
Government of Germany	1,957,870	UNESCO	490,000	482,880
Irish Aid	10,152,270	UNOPS	7,168,477	6,955,160

Contribution		Net Funded Amount / Expenditure		
Donor	Deposits	Participating UN Organization (PUNO)	Net Funded Amount to PUNOs	Expenditures of PUNOs
Government of the Netherlands	40,665,100	WFP	24,656,779	21,650,076
Government of Norway	32,186,374	WHO	7,179,994	5,455,701
Swedish International Development Cooperation (Sida)	66,304,998	UNDP	856,000	762,698
Swiss Agency for Development and Cooperation (SDC)	2,049,511	UNDP/NGO	171,819,830	126,938,373
Total	370,478,973	Total	343,777,198	274,913,920

In July 2015, the South Sudan CHF received additional funds totalling \$46 million and disbursed \$62 million to participating United Nations organizations and the International Organization for Migration. The details of expenditures incurred by the PUNOs and IOM for the projects under their management were not available yet at the time of the audit.

II. Audit results

Satisfactory performance was noted in all of the audit areas:

(a) Governance and strategic management

The legal framework documents, 'Memorandum of Understanding for the South Sudan CHF' and 'Standard Administrative Arrangement', set forth roles and responsibilities of the Office as the Administrative Agent for South Sudan CHF. The organizational set-up of the Office provided adequate segregation of duties in managing and accounting for funds. A key control was in place to monitor the Office's performance with regard to timeliness of disbursements to participating United Nations organizations and the International Organization for Migration. The reporting process is determined by strict deadlines as set forth by the legal framework documents. Furthermore, the elements of the reporting process such as certified annual financial statement (see 'item d' below) and IT systems (see 'item e' below) are generally conducive to accurate and timely reporting and are working well. Feedback received from donors by OAI generally included positive views on the Office's overall performance and the working relationship with donors.

(b) Accounting for donor contributions

The Office established financial controls that allowed adequate and effective management of donor contributions. In addition, the review of 10 donor contributions totalling \$93 million (or 49 percent of total available contributions during the audit period) disclosed that they were recorded in accordance with the signed agreements and the established policies and procedures. Feedback received from donors by OAI also generally included positive views on the Office's overall performance in managing the receipt of donor contributions.

(c) Accounting for transfer of funds to participating United Nations organizations and the International Organization for Migration

The Office established financial controls that allowed adequate and effective disbursements to participating United Nations organizations and to the International Organization for Migration. In addition, the review of 25 disbursements totalling \$54 million (or 29 percent of the total disbursements made during the audit period) disclosed that the disbursements were duly approved by the Humanitarian Coordinator and were processed in accordance with the 'Memorandum of Understanding for the South Sudan CHF', and with the established policies and procedures. The feedback received from donors by OAI generally included positive views on the Office's overall satisfactory performance in the transferring of funds to participating United Nations organizations.

(d) Financial reporting on sources and use of funds

The amounts in the 2014 financial reports co-signed by the UNDP Chief Finance Officer and the Deputy Executive Coordinator of the Office agreed with the information posted by the participating United Nations organizations and the International Organization for Migration to the Office's portal.

(e) Expense reporting by participating United Nations organizations and the International Organization for Migration through the UNEX System

In 2014, all participating United Nations organizations and the International Organization for Migration duly reported their expenditures, totalling \$122 million, through the UNEX system.

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.
- **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.
- **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.

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.
- **Medium (Important)** Action is required to ensure that UNDP is not exposed to risks that are considered moderate. Failure to take action could contribute to 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.