

Contents

Contents	2
Foreword	3

Foreword

1. We are pleased to present a report entitled “Observations and recommendations on the intervention of the United Nations, its Funds, Programmes and Specialized Agencies in the aftermath of the Indian Ocean tsunami of 26 December 2004”. It is submitted to the Executive Heads of the participating organizations of the Panel of External Auditors of the United Nations under the provisions of paragraph 2 of the annex to General Assembly resolution 1438 (XIV) of 5 December 1959.
2. This report is the first of its kind to be produced by our Panel, following a decision taken at its 46th

Mr. Guillermo Carague

Chairman, Philippine Commission on Audit

Chairman, Panel of External Auditors of the United Nations, the
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Auditor General, Canada

Vice-chair, Panel of External Auditors of the United Nations, the
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Sir John Bourn

Comptroller and Auditor General, United Kingdom

Mr. Kurt Grüter

Director, Swiss Federal Audit Administration

11. These issues may also present some relevance for the Inter-Agency Standing Committee (IASC). However, as the mandates of Panel Members do not cover all the IASC participants, the Panel has not addressed any recommendations directly to the IASC.

Monitoring of financial flows

12. The “expenditure tracking system” developed and maintained by

Indonesia and Sri Lanka did not adopt a common strategy for dealing with fraud and corruption risks. Each United Nations agency relied on its own internal controls, procedures and policies in order to prevent, identify and fight fraud and corruption.

23. Yet, the system as a whole would benefit from a more coordinated approach, whereby United Nations entities would systematically share with each other information on

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Annexes

A – The United Nations Board of Auditors

Concise summary of principal findings of the Board of auditors

[...]

25. The Board visited offices of the Office for the Coordination of Humanitarian Affairs of the Secretariat, UNDP, UNHCR and UNICEF located in the three most affected countries (Indonesia, Sri Lanka and Thailand). The Board also visited Office for the Coordination of Humanitarian Affairs headquarters in New York and Geneva, as well as the headquarters of UNEP and UN-Habitat in Nairobi.

26. During the biennium 2004-2005, the United Nations, its funds and programmes received \$980 million for the tsunami and spent \$359 million, a 36.7 per cent implementation rate.

Emergency preparedness

28. The primary responsibility for establishing and updating contingency plans and preparing for emergencies rested with each United Nations country team, under the leadership of humanitarian and/or resident coordinators. The Inter-Agency Standing Committee established a working group on disaster preparedness and contingency planning to provide guidance and support to humanitarian

40.

(a) Some agencies had not provided any expenditure information, even though they had requested funds as part of the flash appeal projects;

(b) Some agencies had not reported on the allocation to specific projects of non-earmarked funds;

(c) The Office for the Coordination of Humanitarian Affairs did not reconcile Expenditure Tracking System expenditure statements with the financial statements of participating agencies;

(d) There were inconsistencies between the Expenditure Tracking System figures, the donor assistance database⁴ figures, and the recovery Banda Aceh Nias database figures.

Financial controls

45. At the Office for the Coordination of Humanitarian Affairs, the information generated by two non-compatible information systems, the Integrated Management Information System (IMIS) of the United Nations (used by the headquarters of the Office for the Coordination of Humanitarian Affairs) and the Atlas system of UNDP (used by UNDP on behalf of the field offices of the Office for the Coordination of Humanitarian Affairs) led to significant delays.

46. Bank statements for two bank accounts in Indonesia were not

49. The recruitment procedures for temporary fixed-term

Office for the Coordination of Humanitarian Affairs (OCHA)

[...]

Administrative and financial capacity

54. At the time of the tsunami, 17 per cent of the posts on the Office's Geneva staffing table were vacant, including that of the Chief of the Administrative Office (vacant for seven months) and the Chief of the Human Resources Section. This depleted capacity affected the ability of the Office to respond quickly and effectively to the administrative and financial challenges of the tsunami operation.

55.

66. The Administration agreed with the Board's recommendation that the Office for the Coordination of Humanitarian Affairs review its human resources management model, in consultation with other United Nations funds and programmes, to avoid the recurrence of delays and vacancies in its emergency operations.

Safety and security

67. In Sri Lanka, both phase III area sub-offices did not comply with the minimum operating safety standards. For example, three staff members had to share two hand-held radios and satellite phones, two flack jackets and two helmets, while an intern had not undergone security in the field training before being posted to a phase III area. The vehicles in both sub-offices were not fully compliant with the minimum operating safety standards (i.e., lack of radios, VHF equipment, medical kit, fire extinguisher). The Indonesian office was not in a position to monitor the compliance of its operations with the standards since it had received the compliance checklist of only two of its seven Aceh and Nias sub-offices.

68. The Administration agreed with the Board's recommendation that the Office for the Coordination of Humanitarian Affairs ensure compliance with the minimum operating safety standards.

Financial and budgetary controls

69. There is a need for manual reconciliation of two non-compatible information systems, the United Nations IMIS and the UNDP Atlas. Once cost plans are approved, allotments are entered into IMIS by the Office for the Coordination of Humanitarian Affairs at Geneva, using the IMIS object codes. A financial cable is sent to the relevant offices and to those of UNDP, for implementation in the field. The allotments are then entered into Atlas, which involves splitting 17 IMIS codes into 60 Atlas categories. Next, commitments and disbursements are entered into Atlas following the UNDP classification. Expenditures are then manually re-entered in a spreadsheet by the local staff of the Office for the Coordination of Humanitarian Affairs to convert them back to the IMIS breakdown so as to allow for monitoring the of implementation of the local budget.

70. Following the receipt of electronic inter-office vouchers from UNDP, the Office for the Coordination of Humanitarian Affairs in Geneva manually re-enters the disbursements into IMIS. In total, between the drafting of the cost plan and the financial statements, six manual operations are performed, two of which are identical but carried out at different times by the field office and at Geneva, and three of which involve the conversion of data from one accounting framework into another. Each of these manual steps presents a risk of error in the recording of allotments or expenditures. The burdensome nature of the process has also led to significant delays in the processing of the electronic inter-office vouchers. On average, the delay for the review by the Office for the Coordination of Humanitarian Affairs in Geneva of the vouchers of the Indonesian

not compliant with the UNDP Procurement Manual (sect. 6.2.1) and UNDP financial rule 121.03. Once they had been acquired, at a cost of \$1,500, the Office for the Coordination of Humanitarian Affairs realized that they did not meet the needs of the sub-office for which they had been purchased. At the time of the audit, they were still unutilized.

78. In Indonesia, a boat (costing \$17,327), a generator (costing \$6,129) and electronic equipment (costing \$6,309) were acquired without formal requisitions and purchase orders. The Administration explained that this was due to the emergency situat

coordinators, the Inter-Agency Standing Committee has established a working group on contingency planning and disaster preparedness. It had planned a review of existing inter-agency contingency planning guidelines in the first half of 2004, but postponed it to the second half of the year, then deferred it to 2005. The Administration indicated in

and the lack of incentives to coordinate since funds were abundant, led to duplication and confusion.⁶

123. At the end of January 2005, the Government of Indonesia announced that it would provide temporary accommodation for the total estimated number of internally displaced persons not living with host families. As the international community had a number of concerns regarding the suitability of the solution offered by the Government, the Aceh shelter working group decided not to get involved in the temporary living centre project. Instead, it focused almost exclusively on permanent housing.

124.

128. The Board recommends that the Office for the Coordination of Humanitarian Affairs develop medium-term shelter solutions whenever it identifies a gap between temporary and permanent needs.

129. The Office for the Coordination of Humanitarian Affairs approved a \$2.4 million tsunami cost plan for its office in Bangkok, of which only \$0.7 million (28 per cent) was spent in 2005. In addition, its regional office for Asia and the Pacific was not assigned relevant objectives for tsunami-related activities. The draft action plan for the biennium 2005-2006, dated 15 July 2005, did not contain any specific mention of the tsunami, except for the need to organize four workshops on lessons learned. The main tsunami-Ielaetala na

134. In Sri Lanka, over 53,000 temporary shelters had been completed by the end of September 2005. However, between 20 and 40 per cent of them were reportedly substandard. Some assessments indicated that up to 75 per cent of transitional settlements had inadequate drainage. This issue would have proved particularly acute with the onset of the monsoon. More generally, the connection between shelter and water and sanitation had been initially uneven, although more systematic contacts between both lead agencies (UNHCR and UNICEF) had built up over time.

135. The Board recommends that the Office for the Coordination of Humanitarian Affairs liaise more closely with lead agencies to ensure that the assistance provided during emergency situations is of an acceptable standard.

United Nations country team anti-fraud strategy

136. Despite the level of funding received by United Nations agencies since the tsunami and the associated risks of wastage, mishandling of funds and corruption, the United Nations agencies present in Indonesia and Sri Lanka did not adopt a common strategy for dealing with fraud and corruption risks. Instead, each agency relied on its own internal control procedures. As a result, there was no sharing of information among agencies for the purpose of blacklisting persons involved in procurement and other irregularities.

137. The Board recommends that the Office for the Coordination of Humanitarian Affairs ensure that a common anti-fraud and anti-corruption strategy is adopted by the various United Nations agencies involved in emergency relief efforts.

were received for the specific tsunami appeals launched by the National Committees. Some National Committees continued to appeal for tsunami funds after April in spite of the request to the contrary. UNICEF was not successful in convincing them of the need to stop tsunami fund-raising, and decided not to widely communicate its decision to stop new fund-raising initiatives from January 2005 and accepting further donations from April 2005.

143. Overall, as at 24 May 2006, the funds received tota

152.

had been doubled, to \$47.8 million. The eventual allocation was

to support the flash appeal. That guide was used to allocate funding above and beyond initial flash appeal amounts.

166. **UNICEF agreed with the Board's recommendation that it**

of them taken from a pool of 700 spontaneous applications received as a result of the tsunami.

172. However, there was excessive turnover of staff deployed on surge support missions to fill key positions. For instance, in the first half of 2005, six staff members acted as the main r

178. Although basic financial controls have been complied with for local procurement, the Board noted weak supply and distribution planning, as well as market searches in most of the affected countries (the UNICEF Chennai office did produce an emergency supply plan). That resulted in a number of wasteful purchases. In Indonesia,

185. The variation in rates also complicated the liquidation process. The Board found multiple instances of poor documentation of amendments, inaccuracies in the liquidation process and lack of sufficient oversight of implementing partners in Indonesia. In Sri Lanka, the documentation of amendments to cash assistance projects was also unsatisfactory. Advances had been paid to partners for over three months of activity, which was not compliant with Financial

affected areas, the UNICEF staff who took part in the operation deserve credit for their very effective action.

196.

- a Funding continued to be received from donors late in 2005 and was hence earmarked for spending in 2006.
- b The unspent balances as at 31 December were due to the fact that programmes were being undertaken in respect of tsun

sub-national levels (13 December 2005-7 March 2006), jointly funded

b/ “Emergency response and transitional recovery monitoring guidelines” (last revision November 2005), which stressed field-level verification of results and financial monitoring of

<i>Staff mobilized from</i>	<i>Banda Aceh</i>	<i>Meulaboh</i>	<i>Medan</i>	<i>Jakarta</i>	<i>Total</i>
Indonesia country office	6	1	5	10	22

239. The Board noted that in respect of the inaccuracies reported in the OCHA ETS, UNDP Indonesia had consistently provided financial

*Office of the United Nations High Commissioner for Refugees
(UNHCR)*

[...]

Evaluation

245.

	<i>Total</i>	<i>Regional^a</i>	<i>Indonesia</i>	<i>Sri Lanka</i>	<i>Somalia</i>
Italy	265 252				265 252
Japan	15 000 000		13 000 000	2 000 000	
Liechtenstein	26 549	26 549			
Luxembourg	1 017 639	1 017 639			
Netherlands	1 854 000			1 854 000	
New Zealand	2 130 300	2 130 300			
Norway	5 163 651	5 163 651			
Saudi Arabia	500 000		500 000		
Spain ^b	153 579	153 579			
Switzerland	515 987				515 987
United Kingdom	818 823		766 284	52 539	DIHRR('G8zB uHDz(D88D

These delays explain why most of the funds had not been disbursed or committed at the end of 2005, in Indonesia.

250. In Sri Lanka, UNHCR was committed to constructing a total of

257. In December 2002, UNHCR, Indonesia finalized an emergency

through agencies and private companies. The situation was reassessed when local governments organized coordination between the aid communities, with clear definition of tasks between agencies.

264. In an ideal world, a clear needs assessment should be reflected in the funding requirements. However, since the first UNHCR staff member arrived in Banda Aceh on 2 January 2005 and the flash appeal was finalized on 5 January for issuance by the United Nations

million of tsunami funds (or more than 10 per cent of tsunami-related

B – The Auditor General of India

*United Nations Food and Agriculture Organization
(FAO)*

World Health Organization (WHO)

**C – The Comptroller and Auditor General of the
United Kingdom**

World Food Programme (WFP)

Presentation of the approach followed by the external auditor

284. In the context of his audit of the financial statements of the World Food Programme for 2004-2005, the External Auditor, the Comptroller and Auditor General of the United Kingdom, carried out a limited review of the WFP's Tsunami operations to provide additional commentary to the Executive Board and management, and to complement the work of the Office of Internal Audit of WFP's Oversight Services Division¹².

285. Following the Tsunami disaster on 26 December 2004, by 9 January 2005 WFP had supplied 5,000 tons of food to Sri Lanka's tsunami-afflicted zones, enough to feed 750,000 people. By the same date, 30,000 people in need had been reached in remote regions of Somalia. In the Maldives, WFP organised an immediate distribution of fortified biscuits to 54,000 survivors, followed by a two month ration distributed through the Government to 41,000 people who had lost their homes or livelihoods, and a school feeding programme for some 25,000 pupils in schools on 63 islands.

286. By the end of January 2005, WFP had delivered by air, land and sea a total a total of 18,350 tons of food to 1.27 million tsunami victims in six countries spread across two continents: Indonesia, Thailand, Myanmar, Sri Lanka, the Maldives and Somalia. In late April 2005, the overall Tsunami emergency operation reached its height, with WFP delivering food aid to 2.2 million people. A total of more than 190,000 tons of food had been dispatched by that time.

287. WFP approved an emergency operation and three special operations to finance and support its response to the crisis, receiving \$254 million for the Tsunami, of which \$188 million (74 per cent) had been spent by 31 December 2005.

288. In the two worst hit countries – Indonesia and Sri Lanka – large scale operations targeting vulnerable groups are scheduled to run until the end of 2007 at the request of the authorities in both countries. In its annual report for 2005, WFP noted that, to cover its operations in Indonesia, it was appealing for \$196 million to assist almost 1.2 million people affected by the Tsunami; and in Sri Lanka, for \$48 million to help nearly 35,000 people rebuild their lives and livelihoods.

289. The External Auditor reported as follows:

¹² Audited biennial accounts (2004-2005): Section III WFP/EB.A/2006/6 A/1/3, para 25-31.

290. “The Tsunami disaster on 26 December 2004 triggered one of the most complex and wide-reaching emergency relief operations mounted by the World Food Programme. The operation had a budget in excess of US\$200 million aimed at providing in excess of 260 thousand tonnes of food aid to the affected areas. As part of their 2004-2005 audit, my staff visited WFP’s emergency operations in Thailand, Indonesia and Sri Lanka, to:

a / Observe operations in the field;

b / Review expenditure transactions and the way in which funds were used;

funds or resources, although my staff's audit examination identified no evidence of fraud or irregularity.

296. Where regional bureaux staff have oversight responsibilities but are also directly responsible for emergency operations, as occurred in the Thailand Bureau for the Tsunami emergency operation, the effectiveness and independence of the oversight function can be compromised. In these circumstances, an emergency administrative workforce could lessen the risk of inadequate or reduced oversight. At the time of finalizing this report, management were considering the establishment of an administrative task force which could be dispatched rapidly to emergency operations and help to secure the implementation of necessary procedures and control systems.

297. I recommend that the Secretariat take forward its plans for the establishment of a flexible administrative workforce for emergency-operations, which could ensure the establishment of adequate financial controls in a timely fashion for future emergency situations."

Sources

<i>Title of extract</i>	<i>Name of external auditor</i>	<i>References</i>
Concise summary of principal findings	United Nations Board of Auditors	General Assembly - Item 113 of the provisional agenda Sixty-first session (A/61/182) Financial reports and audited financial statements, and report of the Board of Auditors
Office for the Coordination of Humanitarian Affairs	United Nations Board of Auditors	General Assembly - Official records