INTERNAL AUDIT DIVISION

REPORT 2013/148

Audit of selected operations in the Office for the Coordination of Humanitarian Affairs in the Democratic Republic of the Congo

Overall results relating to the effective and efficient management of selected operations in the OCHA Office in the Democratic Republic of the Congo were initially assessed as partially satisfactory. Implementation of three important recommendations remains in progress.

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

30 December 2013
Assignment No. AN2012/590/02

CONTENTS

AUDIT REPORT

Audit of selected operations in the Office for the Coordination of Humanitarian Affairs in the Democratic Republic of the Congo

I.   BACKGROUND

1.   The Office of Internal Oversight Services (OIOS) conducted an audit of selected operations in the Office for the Coordination of Humanitarian Affairs (OCHA) in the Democratic Republic of the Congo (DRC).

2.   In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.

Humanitarian actors in the Democratic Republic of the Congo

3.   The Humanitarian Country Team (HCT) in the DRC operated in tandem with the United Nations Organization Stabilization Mission in the DRC (MONUSCO) under the leadership of the Humanitarian Coordinator[1] (HC) to coordinate development and implementation of an overall humanitarian strategy to save lives, reduce suffering, and restore livelihood. At the time of the audit, the HCT in DRC was comprised of the Humanitarian Coordinator, eight United Nations agencies, three representatives of the community of Non-Governmental Organizations (NGOs), three donor representatives, and the OCHA Head of Office. The Emergency Relief Coordinator (ERC) who was also the Under-Secretary-General (USG) of OCHA signed a compact with the HC every year to outline performance indicators related to the management of the humanitarian activities in the DRC. The HC, with the support of OCHA DRC, led the HCT in the preparation of the annual Humanitarian Action Plan (HAP).

OCHA Country Office in the Democratic Republic of the Congo

4.   Supporting the HC was the main role of the OCHA Office in the DRC (the Country Office/OCHA DRC). OCHA DRC coordinated the development of humanitarian response strategies and supported the programming of resources from the Central Emergency Response Fund (CERF) (about $29 million in 2010, $4 million in 2011, and $31 million in 2012), the Common Humanitarian Fund (CHF) (about $104 million annually for the period 2010-2012), and the Emergency Response Fund (ERF) (about $1 million a year in 2011 and 2012). OCHA DRC fostered partnerships between humanitarian actors and the national and local authorities, civil society, and donors. The annual financial costs for the operations of the OCHA Office in the DRC were about $17 million annually and it had approximately 158 staff.

The Pooled Fund or Common Humanitarian Fund for the Democratic Republic of the Congo

5.   The DRC Pooled Fund (the Pooled Fund), also referred to as the Common Humanitarian Fund (CHF), was established as a country-based common financing mechanism to improve humanitarian response in the DRC as part of the humanitarian reform to support the activities of United Nations agencies and NGOs. The objective of the Pooled Fund was to make timely allocation and disbursement

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[1] The HC is designated by the Emergency Relief Coordinator (ERC)/Under-Secretary-General (USG) of OCHA. At the time of the audit, the HC was the Deputy Special Representative for MONUSCO and served as United Nations Resident Coordinator, HC and Resident Representative of the United Nations Development Programme (UNDP).

of donor resources for the most critical humanitarian needs under the HC's direction. The Pooled Fund was established as a Multi-Partner Trust Fund (MPTF). A Memorandum of Understanding (MOU) between the HC and 13 Participating United Nations Organizations (PUNOs) formalized the MPTF arrangement which included OCHA and UNDP, with the UNDP serving as the Administrative Agent. In accordance with the Terms of Reference of the Pooled Fund (TOR), the HC, with the support of the Joint Pooled Fund Unit, headed by OCHA DRC, was responsible for the overall management of the Pooled Fund, including:

- mobilizing resources;
- allocating Pooled Fund resources according to agreed procedures;
- approving allocations and disbursements;
- supervising the process of monitoring and evaluation related to the Pooled Fund operations; and
- reporting to donors on Pooled Fund operations on an annual basis.

6. In its support of the HC in the management of the Pooled Fund, OCHA DRC's responsibilities included:

- leading and ensuring the overall coordination of the Joint Pooled Fund Unit (JPFU) on behalf of the HC;
- ensuring coherence of selected projects with the objectives of the country Humanitarian Action Plan (HAP); and
- managing the monitoring and evaluation activities in the field in accordance with the legal framework of the fund and the specific provisions of the Terms of References of the Pooled Fund.

7. As of 31 December 2011, the Pooled Fund cumulative expenditures totalled $642 million out of the $700 million available (including $7.6 million in interest earned) for programming.

8. Comments provided by OCHA are incorporated in italics.

II.   OBJECTIVE AND SCOPE

9. The audit was conducted to assess the adequacy and effectiveness of OCHA governance, risk management and control processes in providing reasonable assurance regarding the effective and efficient management of selected operations in OCHA in the DRC.

10. The audit was included in the 2012 risk-based work plan due to the risks of (1) inadequate coordination of the overall humanitarian activities due to the complexity of recurring emergencies and unstable operational environment; and (2) inadequate controls in the OCHA Country Office regarding the monitoring of projects executed by implementing partners, potentially exposing OCHA to reputational and financial risks relating to the use of the pooled funds.

11. OIOS conducted the audit from 19 November 2012 to 3 April 2013. The audit covered the period from January 2010 to December 2012. The audit focused on OCHA's coordination activities including the cluster coordination, office general administration (staffing, procurement), and the Pooled Fund (governance, coordination, fundraising, allocation processes, monitoring and evaluation and reporting).

12. The audit team conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks.

Through interviews with the HC, OCHA managers and staff and humanitarian partners including United Nations agencies, donors and NGOs, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and concluded necessary tests to determine their effectiveness. OIOS reviewed polices and guidelines and operational documentation and selected a sample of Pooled Fund projects to assess compliance of the implementing partners with reporting requirements. A sample of financial and procurement transactions were reviewed to assess the effectiveness of controls related to the management of OCHA DRC general administration.

13.   The key controls tested for the audit were: (a) coordinated management; (b) human resources targets and strategies; and (c) delegation of authority system. For the purpose of this audit, OIOS defined these key controls as follows:

(a)   **Coordinated management** - controls that provide reasonable assurance that risks relating to OCHA operations in DRC are identified and assessed and that action is taken to mitigate and anticipate risks.

(b)   **Human resources targets and strategies** - controls that provide reasonable assurance that human resources targets and strategies are set to ensure the recruitment and retention of competent staff in order to effectively carry out the mandate of OCHA in the DRC.

(c)   **Delegation of authority system** - controls that provide reasonable assurance that OCHA DRC managers are carrying out their responsibilities in accordance with relevant regulations and rules and the delegated authorities when committing OCHA resources.

III.   AUDIT RESULTS

14.   The OCHA governance, risk management and control processes examined were **partially satisfactory** in providing reasonable assurance regarding **the effective and efficient management of selected operations in OCHA in the DRC.** OIOS made six recommendations to address issues identified in the audit.

15.   OIOS observed that the management of the Pooled Fund standard allocation process was adequate, reaching an allocation rate of about 88 percent over the past three-year period (2010-2012). The management of Pooled Fund Reserve allocation process was strengthened in early 2013 with the issuance of guidelines that describe the selection criteria and allocation procedures under the overall authority of the Humanitarian Coordinator.

16.   OCHA DRC, in support of the HC, needed to strengthen the monitoring, reporting, and evaluation mechanism of the Pooled Fund. The tracking system that was put in place to monitor compliance of the Participating United Nations Agencies with their reporting requirements as stipulated in the MOU was not effectively used. Furthermore, OCHA had not yet issued final global CHF guidelines to provide an operational framework. OCHA, however, undertook actions to strengthen its monitoring capacity and was piloting a monitoring, reporting and evaluation framework. The Global CHF Guidelines were expected to be finalized by 31 December 2014.

17.   OIOS also observed that controls relating to the delegation of authority system needed to be strengthened by: (a) developing an annual local procurement plan and consolidating purchases for efficiency and compliance with the established procurement policies; (b) improving the efficiency of its administrative operations supporting the sub-offices in the field by seeking more partnerships with United Nations agencies, in particular regarding the procurement function through long-term agreements, to

avoid non-compliance with its delegation of authority; and, (c) carrying out a physical inventory of property and disposing of or writing off obsolete or unserviceable inventory items. OCHA took adequate actions to address these issues, and related recommendations were closed.

18. The initial overall rating was based on the assessment of key controls presented in Table 1 below. The final overall rating is **partially satisfactory** as implementation of three important recommendations remains in progress.

Table 1 – Assessment of key controls

Business objective	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective and efficient management of selected operations in OCHA in the DRC	(a) Coordinated management	Partially Satisfactory	Not assessed	Partially satisfactory	Partially satisfactory
	(b) Human resources targets and strategies	Satisfactory	Satisfactory	Not assessed	Satisfactory
	(c) Delegation of authority system	Partially satisfactory	Partially Satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Coordinated management

The management of the standard Pooled Fund allocation process was adequate

19. According to the TOR of the Pooled Fund, OCHA, through the JPFU, was expected to develop guidelines on procedures and criteria as defined by the HC and the Pooled Fund Board and facilitate the process of project selection under the standard allocation for final approval by the HC. OIOS observed that the process was well organized by the JPFU with specific allocation criteria updated annually. The standard allocation of the Pooled Fund was organized twice a year. It covered projects submitted and assessed through the cluster system in line with the HAP framework. The standard allocation process, carried out with the involvement of the clusters and the Provincial Inter-Agency Standing Committees (IASC), allowed the Pooled Fund to finance the activities considered priorities by the actors in the emergency areas. The Pooled Fund was able to achieve an allocation rate of about 88 per cent over the past three years. OIOS concluded that the management of the standard allocation of the Pooled Fund was adequate.

The management of the Pooled Fund Reserve allocation process was strengthened

20. The Pooled Fund Reserve allocations for 2010, 2011 and 2012 were about $36 million, $37 million and $32 million respectively. The HC had the discretion to approve the use of these reserves in the event of unforeseen circumstances, emergencies or strategic needs to quickly and flexibly respond to humanitarian priorities. In early 2013, OCHA DRC issued guidelines regarding the selection criteria and allocation procedures for the Reserve under the overall authority of the HC. OIOS concluded that the guidelines strengthened the transparency of the use of the Pooled Fund Reserve.

Need to build capacity and effectively use the project report tracking system

21.   According to the TOR of the Pooled Fund, the JPFU, under OCHA's direction, was to "develop and manage the reporting system on Pooled Fund funded projects on behalf of the Humanitarian Coordinator". The TOR also required that OCHA DRC put a system in place to "gather and compile information on outcomes and results achieved through the Pooled Fund projects implemented by Participating United Nations Organizations". OIOS observed that the JPFU had developed a tracking system to monitor compliance with reporting requirements. However, the system was not effectively used. OIOS conducted a reporting compliance test of 31 projects implemented in 2010, 2011 and 2012 by 10 PUNOs which showed that only 13 annual narrative reports and seven final narrative reports were submitted. OCHA indicated that JPFU did not have adequate resources to effectively track the compliance of the PUNOs to submit project progress reports, nor did it undertake field visits to assess progress of projects funded by the Pooled Fund.

> (1) **OCHA should (1) ensure that the tracking system is effectively used to monitor compliance by the Participating United Nations Organizations with reporting requirements, and (2) provide adequate resources to strengthen the capacity of the Joint Pooled Fund Unit to support the Humanitarian Coordinator in supervising the process of monitoring and evaluation related to the Pooled Fund operations.**
>
> *OCHA accepted recommendation 1 and stated that the completion of the roll-out of the Grants Management System would take place from February 2014 onwards, with ideally all CHFs using the system by the end of 2014. The system will provide a platform for the management of all CHFs. OCHA's implementing partners will be able to submit project proposals and reports online. This will facilitate OCHA's project review, capture results of monitoring, track timeliness, monitor compliance with reporting requirement and strengthen accountability. OCHA also stated that it was in the process of completing the recruitment of five staff to strengthen the monitoring and evaluation function of the Joint Pooled Fund Unit.* Recommendation 1 remains open pending receipt of evidence that OCHA has: (a) completed the roll-out of the Grants Management System, and (b) finalized the recruitment of the five monitoring and evaluation officers.

Need to strengthen monitoring and evaluation of Pooled Fund projects and finalize the global guidelines

22.   In accordance with the TOR of the Pooled Fund, OCHA DRC, through the JPFU and in support of the HC, was to put in place a monitoring and evaluation system to ensure that the projects funded by the Pooled Fund had achieved their objectives and that the resources were used for the intended purposes. In addition, OCHA DRC was to gather and compile information on the outcome and results achieved through the Pooled Fund projects implemented by the Participating United Nations Organizations. Structurally, the JPFU comprised of staff hired by OCHA, including the Head of the unit, and staff from UNDP. OCHA DRC was responsible for the overall management of the JPFU including putting reporting, monitoring and evaluation systems in place. The UNDP staff in the JPFU supported the UNDP Managing Agent role regarding the NGO-implemented projects. Specifically, the role of the UNDP staff was to ensure programme and financial follow-up, monitoring, evaluation and audit of NGO projects. OCHA relied on UNDP and Participating United Nations Organizations, which were expected to undertake their own monitoring as required by the MOU: UNDP for the NGO-implemented projects and the PUNOs for their projects. UNDP monitoring reports were available to the JPFU.

23.   OCHA had initiated efforts to establish a monitoring and evaluation system for the Pooled Fund both at the level of the Office in DRC and at OCHA Headquarters. In 2012 OCHA DRC started to discuss: (a) a HAP-focused monitoring and reporting system to correlate with HAP priorities, funding,

output and outcome-oriented results, and their reporting thereof; and (b) a Pooled Fund-specific oversight function focusing 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, through the Funding Coordination Section, had drafted global CHF/Pooled Fund Standardization Guidelines, dated 10 January 2010, 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.

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(2) **OCHA should finalize the global Common Humanitarian/Pooled Funds guidelines.**

OCHA accepted recommendation 2 and stated that it has finalized a first draft of the Global CHF Guidelines through a consultative process with CHF Fund managers in all CHF countries and that additional revisions might be necessary pending the global discussion with UNDP on the role and function of the Managing Agent in CHFs. OCHA plans to complete implementation of recommendation by 31 December 2014. Recommendation 2 remains open pending receipt of a copy of the issued guidelines.

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(3) **OCHA DRC should develop a monitoring and evaluation system for the Pooled Fund and ensure that monitoring and evaluation take place.**

OCHA accepted recommendation 3 and stated that the JPFU in DRC was in the process of finalizing the new "quality cycle", a process including risk management, monitoring and evaluation, directly linked to the project cycle. The monitoring component would start being rolled-out at the beginning of 2014. The evaluation process would commence in July 2014, after the completion of a study to determine the scope and modalities of the evaluation. The process would be guided by the recommendations and decisions of the Pooled Fund Board, to meet on 24 January 2014 and in July 2014. Recommendation 3 remains open pending receipt of a copy of the "quality cycle" framework document and evidence of the roll-out of the monitoring and evaluation component.

B. Human resources targets and strategies

<u>OCHA needed to fill the post of the Head of the Joint Pooled Fund Unit</u>

24. A fully staffed JPFU was essential to the effectiveness of the management of the Pooled Fund. However, filling the post of the JPFU had been challenging. The JPFU comprised of eight OCHA posts, including three professional posts: one P-5 and two P-3s. The Unit, under the supervision of the OCHA Head of Office (P-5), provided assistance to the HC in overseeing and facilitating the Pooled Fund management processes. In addition, the Unit had the responsibility to carry out monitoring activities on behalf of the HC for the Pooled Fund. However, the P-5 post of the Head of the Unit had been vacant since August 2011. At the time of the audit fieldwork, OCHA indicated that the vacancy was advertized and the recruitment process was underway. Due to this prolonged vacancy, the Unit did not have the capacity to address some of the main challenges of managing the Pooled Fund, such as developing a monitoring system and a tracking system to ensure that United Nations agencies were providing reports as required. Subsequently, OCHA took action to fill the post.

C. Delegation of authority system

<u>OCHA DRC country office had no local acquisition plan which resulted in inefficient procurement practices</u>

25.   In accordance with the United Nations Secretariat Procurement Manual, requisitioners were responsible for developing annual acquisition plans, in cooperation with the concerned procurement authority/office, in a timely manner to fulfill such needs and ensure the optimal use of funds. Although OCHA DRC identified its local procurement needs for 2010, 2011 and 2012 (as of September 2012) which were estimated to about $440,000, $541,500, and $580,830, respectively, it did not develop acquisition plans in collaboration with the local UNDP Office, its service provider.

26.   In accordance with the OCHA Field Administrative Manual, the Country Office had a limited procurement delegation of authority of $2,500. Any local procurement above $2,500 was to be carried by the UNDP Country Office which was the designated service provider. Instead, OCHA DRC carried out a significant number of local procurement, particularly in its field offices. Procurement included fuel, office supplies, vehicle maintenance, and information and communication technology equipment. A significant number of purchase orders were issued to the same supplier for the same goods or services within the same month or year. Furthermore, a number of purchase order amounts were close to the maximum authority limit of the Head of Office, indicating a potential circumvention of the authority level, thus avoiding procurement through UNDP as required. Although the value of each of the purchase orders was below $2,500, collectively they exceeded $2,500, the threshold whereby purchase orders must be approved by UNDP.

27.   OCHA DRC provided two main reasons why the procurement was not carried out through UNDP: (1) it took longer to go through the approval process in UNDP, which delayed emergency response operations; and (2) in some areas of the country, there was only one vendor leaving no choice but to purchase from the same vendor. However, the main cause for not purchasing through UNDP was related to the lack of an annual acquisition plan. As a result, the Office had engaged in inefficient procurement processes which undermined price competition, increased workload and related costs at the supplier and service provider level, and required devoting substantial staff time to process multiple purchase orders of $2,500 or less.

> (4) **OCHA should ensure that the Country Office in DRC develops an annual local acquisition plan and consolidates purchases for efficiency and compliance with the established procurement policies and procedures.**
>
> *OCHA accepted recommendation 4 and stated that the 2014 annual acquisition plan has been completed and would be shared with the UNDP Country Office. In addition, OCHA DRC and UNDP have entered into a Service Level Agreement to ensure efficient service delivery, including for local procurement.* Based on the actions taken by OCHA, recommendation 4 is closed.

<u>The country office was not using existing long-term agreements for local procurement</u>

28.   OCHA DRC operations in the field included six sub-offices and eight antenna offices requiring an effective and sustained support system, especially relating to procurement of goods and services. The bulk of recurring procurement activities related to the sub-offices. This presented a major challenge to the OCHA DRC office due to the complexity of the humanitarian situation in the country and the lack of qualified suppliers in areas of OCHA's presence. OCHA DRC needed to find ways to provide effective

support to the sub-offices and their antennas and to its Kinshasa operations, such as by entering into partnerships, specifically in supporting its sub-offices. In most of the regions where OCHA was present, at least one main United Nations agency with established support services was present. The most widely used tool of collaboration was the long-term service agreement (LTA) with a supplier to which any United Nations agency could sign in and benefit from. Most of the LTAs were managed by UNDP which was also OCHA's main service provider. The terms of the agreement were generally favorable and the buyer did not have to seek three quotations in line with the procurement policies.

29.   However, OCHA did not always utilize LTAs to buy fuel for its sub-offices and antennas.   For example, it spent about $82,000, $98,000, and $83,000 in 2010, 2011, and 2012 respectively without using LTAs. The purchases were made raising individual purchase orders of less than $2,500, resulting in an average of 46 transactions annually. OCHA could have considered approaching main United Nations agencies in the same areas for fuel supply.   MONUSCO was widely present in the country with adequate capacity to provide such services. However, MONUSCO had required that all United Nations agencies sign an LTA under UNDP management. At the time of the audit, the United Nations agencies were in the process of finalizing the LTA.   MONUSCO also had a vehicle maintenance and repairs facility which could have been utilized by OCHA DRC. OCHA spent on average of $60,000 per year for the last three years for maintenance and repairs.

30.   Besides fuel, various other purchases were made by OCHA DRC which could otherwise have been made through LTAs. For instance, a series of internet connection bills were paid by OCHA DRC through individual purchase orders instead of LTAs. A procurement function carried out through LTAs, could minimize the risk of inefficient purchasing.

> **(5) OCHA should ensure that the Country Office in DRC: (1) uses the United Nations service providers for fuel supply and vehicle maintenance and repairs in the regions; and (2) uses existing United Nations agencies' long-term agreements for its procurement of goods and services.**
>
> *OCHA accepted recommendation 5 and stated that it has consulted with UNDP, and in conjunction with other United Nations agencies, LTAs were established under the UNDP's umbrella to provide services related to supply of fuel, vehicle maintenance and repair, and internet connectivity.* Based on the actions taken by OCHA, recommendation 5 is closed.

Need to carry out physical inventory of property and dispose of or write off obsolete or unserviceable inventory items

31.   According to the OCHA Field Administrative Manual, field offices are required to establish control *systems* for the inventory of OCHA property which must be properly labeled and inventoried with sufficient information.   A review of the inventory reports submitted by OCHA DRC in 2011 and 2012 indicated two issues related to inventory valuation and management:

- The value of items needing write-off actions was incomplete as items valued at about $86,000 only were recommended for write-off, whereas additional items worth $200,000 for the information technology section of the inventory were labeled "recommended for write-off. These items were not included in the inventory report cover page write-off proposal. According to the Office, most of these items had been stored in warehouse for a while.   The Office had not considered them for disposal or write-off.

- The inventory items included 45 vehicles, which had the same mileage reading as in the previous report, indicating that the inventory list was simply copied without actual physical check. Therefore, there was no assurance that the inventory list was drawn as a result of a complete physical inventory exercise.

32. As a result, the inventory report was not reliable and could not support effective management of OCHA property.

(6)	**OCHA should ensure that the Country Office in DRC effectively carries out a physical inventory of its property and identify all unserviceable or obsolete items for disposal or write-off.**
	OCHA accepted recommendation 6 and stated that physical inventory was completed for OCHA Kinshasa and Bukavu and that staff were on mission to complete physical control for sub-offices and antennas to complete the whole process before 31 December 2013. Based on the actions taken by OCHA, recommendation 6 is closed.

IV.   ACKNOWLEDGEMENT

33. OIOS wishes to express its appreciation to the Management and staff of OCHA for the assistance and cooperation extended to the auditors during this assignment.

(*Signed*) David Kanja
Assistant Secretary-General for Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of selected operations in the Office for the Coordination of Humanitarian Affairs
in the Democratic Republic of the Congo

Recom. no.	Recommendation	Critical[2]/ Important[3]	C/ O[4]	Actions needed to close recommendation	Implementation date[5]
1	OCHA should (1) ensure that the tracking system is effectively used to monitor compliance by the Participating United Nations Organizations with reporting requirements, and (2) provide adequate resources to strengthen the capacity of the Joint Pooled Fund Unit to support the Humanitarian Coordinator in supervising the process of monitoring and evaluation related to the Pooled Fund operations.	Important	O	Receipt of evidence that OCHA has: (a) completed the roll-out of the Grants Management System, and (b) finalized the recruitment of the five monitoring and evaluation officers.	31 December 2014
2	OCHA should finalize the global Common Humanitarian/Pooled Funds guidelines.	Important	O	Issuance by OCHA of the Global CHF Guidelines and submission of a copy to OIOS	31 December 2014
3	OCHA DRC should develop a monitoring and evaluation system for the Pooled Fund and ensure that monitoring and evaluation take place.	Important	O	1) Finalization of the "quality cycle' and submission of a copy of the framework document to OIOS. 2) Submission to OIOS of evidence of roll-out of the monitoring and evaluation component	31 December 2014
4	OCHA should ensure that the Country Office in DRC develops an annual local acquisition plan and consolidates purchases for efficiency and compliance with the established procurement policies and procedures.	Important	C		Implemented
5	OCHA should ensure that the Country Office in DRC: (1) uses the United Nations service providers for fuel supply and vehicle maintenance and repairs in the regions; and (2) uses existing United Nations agencies' long-term agreements for its procurement	Important	C		Implemented

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[2] Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

[3] Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

[4] C = closed, O = open

[5] Date provided by OCHA in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

**Audit of selected operations in the Office for the Coordination of Humanitarian Affairs
in the Democratic Republic of the Congo**

Recom. no.	Recommendation	Critical[2]/ Important[3]	C/ O[4]	Actions needed to close recommendation	Implementation date[5]
	of goods and services.				
6	OCHA should ensure that the Country Office in DRC effectively carries out a physical inventory of its property and identify all unserviceable or obsolete items for disposal or write-off.	Important	C		Implemented

APPENDIX I

Management Response

United Nations ⬥ Nations Unies

INTEROFFICE MEMORANDUM   MEMORANDUM INTERIEUR

OFFICE FOR THE COORDINATION OF HUMANITARIAN AFFAIRS

TO: Ms. Carmen Vierula, Chief, New York Audit Service,   DATE: 12 December 2013
A: Internal Audit Division, OIOS

REFERENCE:

THROUGH:
S/C DE:

FROM: Valerie Amos
DE: Under-Secretary-General for Humanitarian Affairs
       and Emergency Relief Coordinator

SUBJECT: **Assignment no. AN2012/590/02 – Audit of selected operations in the Office for the Coordination**
OBJET: **of Humanitarin Affairs in the Democratic Republic of the Congo**

1.   Thank you for sharing the draft report of the Audit of the OCHA Office in the DRC and for seeking comments from my office.

2.   Attached, you will find OCHA's action plan to address the recommendations issued by the report, as well as supporting documentation pertaining to progress made to date on some of the issues raised.

3.   We have noted that one of the recommendations goes beyond the remits of OCHA as its implementation depends on agreements signed between third parties. We have therefore proposed to narrow the scope of the recommendation in order for OCHA to take full ownership of the proposed improvements.

Thank you

cc: Mr. Moustapha Soumare
        Mr. John Ging
        Ms. Barbara Shenstone
        Ms. Gwi-Yep Son
        Mr. Barnaby Jones
        Ms. Shoko Arakaki
        Ms. Kelly David
        Ms. Anna Halasan
        Ms. Wiebke Uhde

MANAGEMENT RESPONSE

Audit of selected operations in the Office for the Coordination of Humanitarian Affairs in the Democratic Republic of the Congo

Rec. no.	Recommendation	Critical[1]/ important[2]	Accepted? (Yes/No)	Client comments	OCHA Focal point
1	OCHA should (1) ensure that the tracking system is effectively used to monitor compliance by the Participating United Nations Organizations with reporting requirements, and OCHA should (2) provide adequate resources to strengthen the capacity of the Joint Pooled Fund Unit to support the Humanitarian Coordinator in supervising the process of monitoring and evaluation related to the Pooled fund operations.	Important	Yes	31 December 2014 (1) The complete roll-out of the Grants Management System (GMS) shall take place from February 2014 onwards, with ideally all Common Humanitarian Funds (CHF) using the system by the end of 2014. The GMS will provide a standard platform for the management of all CHFs. OCHA's implementing partners, including Participating United Nations Organisations (PUNO), shall be able to submit project proposals and reports online. It will facilitate OCHA's project review, capture results of monitoring, track timeliness, monitor compliance with reporting requirement and strengthen accountability in each fund. (2) The process of the recruitment of five monitoring and evaluation officers is ongoing. The Humanitarian Financing Unit in DRC has conducted a first round of recruitment and selected two suitable candidates. The process will be re-launched for the remaining three officers in the next weeks to start on 1 January 2014. For the transition phase until the new team is complete, the current staff will support the new monitoring and evaluation officers for a	Funding Coordination Section (FCS) and OCHA Democratic Republic of the Congo (DRC)

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[1] Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

2 Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

MANAGEMENT RESPONSE

Audit of selected operations in the Office for the Coordination of Humanitarian Affairs in the Democratic Republic of the Congo

Rec. no.	Recommendation	Critical[1]/ important[2]	Accepted? (Yes/No)	Client comments	OCHA Focal point
				maximum of three months.	
2	OCHA should finalize the global Common Humanitarian/Pooled Funds guidelines.	Important	Yes	31 December 2014 OCHA has finalized a first draft of the Global CHF Guidelines through a consultative process with CHF Fund managers in all CHF countries. Additional revisions may be necessary pending the global discussion with United Nations Development Programme (UNDP) on the role and function of the Managing Agent (MA) in CHFs. Further consultation on the Guidelines with external stakeholders is currently being planned for.	Funding Coordination Section
3	OCHA DRC should develop a monitoring and evaluation system for the Pooled Fund and ensure that monitoring and evaluation take place.	Important	Yes	31 December 2014 The Pooled Fund Unit in DRC is currently finalizing the new "quality cycle", a process including risk management, monitoring and evaluation, directly linked to the project cycle. The monitoring component will start being rolled-out at the beginning of 2014. The evaluation process will commence in July 2014, after a study has been completed to determine the scope and modalities of the evaluation. The process will be guided by the recommendations and decisions of the Pooled Fund Board, to meet on 24 January 2014 and in July 2014.	OCHA DRC
4	OCHA should ensure that the Country Office in DRC develops an annual local acquisition plan and consolidates purchases for efficiency and compliance with the established procurement policies and procedure.	Important	Yes	31 December 2013 The 2014 annual acquisition plan has been completed and will be shared with the UNDP Country Office. For the last semester of 2013, OCHA DRC submitted to UNDP for	Executive Officer

MANAGEMENT RESPONSE

Audit of selected operations in the Office for the Coordination of Humanitarian Affairs in the Democratic Republic of the Congo

Rec. no.	Recommendation	Critical[1]/ important[2]	Accepted? (Yes/No)	Client comments	OCHA Focal point
				procurement the acquisition plan for each office as it was not possible to have one long-term agreement (LTA) for all offices. In addition, OCHA DRC and UNDP have entered into a short-term agreement (SLT) to ensure efficient service delivery, including for local procurement.	
5	OCHA should ensure that the Country Office in DRC: (1) uses the UN service providers for fuel supply and vehicle maintenance and repairs in the regions; (2) uses existing UN agencies' long-term agreements for its procurement of goods and services; and (3) establishes long-term agreements where they do not exist in collaboration with the UN agency providing the service locally.	Important	Partially accepted	31 December 2014 The recommendation appears open-ended, which makes it difficult for OCHA to demonstrate compliance. OCHA would appreciate for the scope of the recommendation to be narrower by indicating the specific LTAs that OCHA should use and/or enter into. (1) Following the request of OCHA and other UN agencies, UNDP signed two LTAs for the supply of fuel and two for vehicle maintenance and repair for OCHA Kinshasa, with UNDP working to cover all of OCHA's sub-offices. (2) In addition, one LTA was signed for internet connectivity for OCHA Goma and Bukavu. The process continues for the rest of OCHA sub-offices as the selected suppliers are not able to cover all of OCHA in the DRC, as requested. For office supplies and other office equipment, as it is not possible to have one LTA for all OCHA offices, OCHA submitted to UNDP the acquisition plan for each office for the second	Executive Officer

MANAGEMENT RESPONSE

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				semester of 2013. UNDP continues to work on the best option to better serve OCHA sub-offices. (3) As UNDP serves as OCHA's local service provider, OCHA relies on UNDP DRC to enter into LTAs with local suppliers as well as MONUSCO. In this regard, OCHA should not be subject to recommendations beyond its control and for which it cannot indicate with certainty an implementation date.	
6	OCHA should ensure that the Country Office in DRC effectively carries out a physical inventory of its property and identify all unserviceable or obsolete items for disposal or write-off.	Important	Yes	31 December 2013 Physical inventory identifying relevant items was completed for OCHA Kinshasa and Bukavu. Staff are currently on mission to complete physical control for sub-offices and antennas to complete process before 31 December 2013.	Executive Officer

MANAGEMENT RESPONSE

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OCHA comments to the Draft Audit Report

Paragraph 3:
"The HCT included UN agencies, 120 international Non-Governmental Organizations (NGOs), 475 national NGOs, and 20 donor governments."

The amount of actors mentioned in the report may be reflective of the humanitarian community but largely exceeds the actors of the Humanitarian Country Team (HCT). In 2013, the HCT in DRC is comprised of the Humanitarian Coordinator, eight UN agencies, three representatives of the NGO community (notably ACF, COOPI and Care), three donor representatives (ECHO, DFID and SIDA), and the OCHA Head of Office. MSF and the ICRC have observer status.

Paragraph 21:
Need to develop guidelines for the allocation of the ~~emergency~~ Pooled Fund Reserve

The Pooled Fund Unit has issued Guidelines for the CHF Reserve in early 2013, which describe the selection criteria and allocation procedures for the Reserve under the overall authority of the HC. Projects within its scope, as described in the guidelines, can be funded, including recurring emergencies or support to logistics, in case they are underfunded and prioritized by the HC and cleared by the review committee. The Guidelines are available for all stakeholders on http://www.rdc-humanitaire.net/index.php/pooled-fund/les-modeles-de-documents-du-pooled-fund. The CHF Reserve Guidelines have been revised in 2013 and are currently under review by the OCHA Head of Office, to be adopted by the Pooled Fund Board in early 2014.

Furthermore, the legal basis for the Humanitarian Coordinator to allocate funding to any Participating UN Organizations (including OCHA) for direct costs is the Memorandum of Understanding between Participating UN Organizations and the United Nations Development Programme regarding the Operational Aspects of a DRC Pooled Fund (DRC PF), clause 3: "The Humanitarian Coordinator may request any of the Participating UN Organizations, to perform additional tasks in support of the Fund not related to the Administrative Agent functions detailed in Section I, Paragraph 2 above and subject to the availability of funds. Costs for such tasks will be agreed in advance and with the approval of the Humanitarian Coordinator be charged to the Fund as direct costs."

In 2012, almost 95 per cent of allocations through the CHF Reserve funded UN agency projects. This was due to the fact that in parallel to the CHF the Emergency Response Fund (ERF) still existed in DRC. The ERF was utilized to support rapid emergency projects implemented exclusively by NGOs. The ERF allocated in average $1 million per year since 2000.

MANAGEMENT RESPONSE

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The CHF Reserve was typically used as strategic funding window to support humanitarian flights of UNHAS (WFP), the UNICEF Rapid Response to Movements of Population (RRMP) mechanism and the overall CHF operations (audit and banking fees) and CHF staff. The funding for the CHF Unit will in future be considered as a direct cost of the Fund and is thus outside the standard allocation process or the Reserve allocation.

With the closure of the ERF announced in early 2013 and new Guidelines for the CHF Reserve, the funding in the reserve window has been allocated to both types of implementing partners. In general, NGOs have better access to emergency sites compared to UN agencies, but implement smaller scale projects, while UN agency activities - such as UNHAS or the UNICEF RRMP - are of larger volume.