

# **Joint Internal Audit of the Management of CERF Funded Activities in Ethiopia**

Office of the Inspector General  
Internal Audit Report AR/17/11



**World Food Programme**

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# Joint Internal Audit of the Management of CERF Funded Activities in Ethiopia

## I. Executive Summary

### Introduction and context

1. In accordance with the annual plan of the United Nations Representatives of Internal Audit Services (UN-RIAS) the internal audit services of the Office for the Coordination of Humanitarian Affairs (UN-OCHA)<sup>1</sup>, the United Nations Population Fund (UNFPA)<sup>2</sup>, the United Nations High Commissioner for Refugees (UNHCR) and the United Nations Children’s Fund (UNICEF)<sup>3</sup>, led by that of the World Food Programme (WFP)<sup>4</sup>, conducted a joint audit of the management of Central Emergency Response (CERF) funded activities by their respective UN organizations in Ethiopia.

2. CERF is a humanitarian fund established by the United Nations General Assembly in 2006 as a pool of reserve funding to enable timely and reliable needs-based humanitarian assistance.

3. In 2015, the El Niño global climatic event significantly affected the summer rains after failed spring rains, causing food insecurity, malnutrition and serious water shortages in many parts of Ethiopia. The lack of rainfall and subsequent drought caused a massive spike in humanitarian needs, with an increase from 2.9 million relief food beneficiaries in January 2015 to 10.1 million at the end of the same year. In 2015 and 2016, Ethiopia received the third and sixth largest amounts from the CERF (USD 27 million or 6 per cent, and USD 20 million or 5 per cent of CERF global funding in 2015 and in 2016 respectively). CERF contributions to the UN organizations involved in the joint audit represented 96 percent of overall CERF contributions in Ethiopia in 2015 and 90 percent in 2016.

4. The general objectives of the joint audit were to provide assurance to the key stakeholders funding, managing, implementing and/or overseeing CERF-funded activities in Ethiopia on the adequacy and effectiveness of the governance, risk management and control processes of CERF-funded activities in the respective organizations regarding the:

- Achievement of the strategic objectives of CERF-funded activities, especially through the use of CERF funds for the purpose for which they were allocated;
- Effectiveness and efficiency of management of CERF-funded activities.

In addition, the United Nations Office of Internal Oversight Services, as part of its audit of the operations of UN-OCHA in Ethiopia, reviewed the country office’s process of prioritizing CERF funds and monitoring of narrative reports submitted by recipient organizations.

5. The joint audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. It was also performed in accordance with the *Framework for Joint Internal Audits of United Nations Joint Activities*, endorsed by UN-RIAS in 2014.<sup>5</sup> It was conducted in a coordinated manner, with the audit teams covering their respective organization concurrently, or within a close timeframe. Individual audits took into consideration risks identified in a coordinated risk assessment and covered the CERF-funded activities in Ethiopia from 1 January 2015 to 30 April 2016 and for the participating UN organizations (PUNOs) to the joint audit. It also included CERF contributions allocated in 2015 and/or implemented and reported mostly in 2015 to

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<sup>1</sup> Office of Internal Oversight Services – covering both UN-OCHA and UNHCR

<sup>2</sup> UNFPA Office of Audit and Investigation Services

<sup>3</sup> UNICEF Office of Internal Audit and Investigations

<sup>4</sup> WFP Office of Internal Audit

<sup>5</sup> <http://mptf.undp.org/document/download/13486>

2016.<sup>6</sup> The Internal Audit Services participating in the joint audit conducted their in-country audit missions on different dates between May and October 2016. Each internal audit service issued either a separate audit report or included its work on CERF funded activities in Ethiopia in a wider scope audit report; issuance of these reports followed their respective internal audit report disclosure policy.

6. The purpose of this consolidated audit report is to present all relevant findings based on these reviews.

## Key results of the audit and conclusion

7. CERF's support helped UN organizations participating in the audit and their partners to respond to the needs of people affected and to deliver, under the leadership of the Government of Ethiopia, life-saving and life-sustaining humanitarian assistance across the sectors.

8. CERF allocations were appropriately prioritized. Governance mechanisms at the fund governance level, through the cluster coordination system, allowed alignment and coherence of proposed projects with relevant humanitarian assessments, focusing on lifesaving projects and ensuring interventions reflected the most critical unmet needs in the country.

9. At the implementation level, the PUNOs used CERF funds for project activities in line with funding allocated and in compliance with CERF requirements and guidance. Once received at headquarter levels, the timely transfer of funds to the offices in Ethiopia facilitated swift delivery of assistance and humanitarian response. Projects were implemented with no delays, or significant changes to approved objectives and/or structure, and financial and operational reporting was in line with defined deadlines and format.

10. As PUNOs implemented activities essentially through the Government, the audit noted significant efforts to address operational issues leading to the launch in May 2016 of a WFP Special Operation to strengthen the governmental implementing partners' capacity.

11. Governance, risk management and control processes relating to strategy and decision making, as well as project implementation and evaluation were found to be effective in all organizations reviewed. However, two observations were made on monitoring and reporting in two organizations as described below:

- Separate project documents were not developed for CERF funded activities directly implemented by the UNHCR Representation to facilitate project tracking, thus limiting evidence to substantiate achievements reported to OCHA. The Representation also did not verify and reconcile narrative and financial reports received from implementing partners to support the project achievements and to validate the results from the partners' use of CERF funding.
- Reporting delays by implementing partners, and some of the corporate system settings, resulted in the WFP country office reverting to estimates for some of the operational data reported to the OCHA, thus not always reflecting changes in actual operational details.

## Recommendations/Actions agreed

12. Management in the UN organizations participating in the audit have agreed to address the reported observations and work to implement the recommendations or agreed actions where applicable.

13. All Internal Audit Services involved in the joint audit would like to thank managers and staff in the various participating UN organizations for their assistance and cooperation during the audit.

**Anita Hirsch**  
WFP Acting Inspector General

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<sup>6</sup> Refer to Table 2 for details on scope.

## II. Context and Scope

### Ethiopia

14. Ethiopia is the second most populous country in Africa, with a population of almost 97 million people. Climate shocks are a major cause of humanitarian crises, since more than 80 per cent of the population live in rural areas and depend on rain-fed agriculture and livestock rearing as their main source of food and income. During 2016, Ethiopia was also host to the largest refugee population on the African continent. In 2015, more than 730,000 officially registered refugees from South Sudan, Somalia, Sudan, Eritrea and Kenya resided in 26 camps located in five regional states.

### Activities in Ethiopia funded by CERF

15. CERF provides a pool of reserve funding to enable more timely and reliable needs-based humanitarian assistance. The fund has a rapid response (RR) and an underfunded emergencies (UFE) window against which it allocates grants. The Fund's objectives are to:

- promote early action and response to reduce loss of life;
- enhance response to time-critical requirements; and
- strengthen core elements of humanitarian response in underfunded crises.

16. The Under-Secretary-General for Humanitarian Affairs and Emergency Relief Coordinator (ERC) manages CERF on behalf of the UN Secretary-General. The ERC is supported by CERF secretariat, which is situated within OCHA. CERF secretariat is responsible for ensuring that the funds are allocated properly, disbursed in a timely manner, and that their use is appropriately and transparently reported.

17. In an average year, CERF allocates USD 450 million to humanitarian operations in 50 different countries. Total CERF allocations in 2015 were USD 478 million, with 64 per cent for the RR window and 36 per cent for the UFE window, and USD 438 million in 2016, with 66 per cent for the RR window and 34 per cent for the UFE window. The organizations participating in the joint audit received 77 per cent and 74 per cent of global CERF funds allocation in 2015 and 2016 respectively<sup>7</sup>.

18. CERF funding is available for humanitarian activities of UN organizations when they adhere to specific conditions and requirements, defined in the Secretary-General's Bulletin and the umbrella letter of understanding between CERF and the recipient organizations.

19. CERF allocations received by the UN organizations participating in the joint audit (PUNOs) in Ethiopia in 2014, 2015 and 2016 and relative projects are detailed in Annex A.

### Objective and Scope of the Audit

20. The audit is part of the 2016 annual plan of UN-RIAS. The general objectives of the joint audit were to provide the key stakeholders funding, managing, implementing and/or overseeing CERF-funded activities in Ethiopia, assurance on the adequacy and effectiveness of the governance, risk management and control processes of CERF-funded activities in the respective organizations regarding the:

- Achievement of the strategic objectives of CERF-funded activities, especially through the use of CERF funds for the purpose for which they were allocated;
- Effectiveness and efficiency of management of CERF-funded activities.

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<sup>7</sup> CERF contributions data as per <http://www.unocha.org/cerf>.

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21. The audit was carried out in conformance with the *Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing*. It was completed according to approved engagement plans and took into consideration a risk assessment exercise carried out prior to the audits.

22. The scope of the audit covered the management by PUNOs of CERF-funded activities in Ethiopia. Audit scope period and field mission dates are detailed in table 1 below. Where necessary, transactions and events pertaining to other periods were reviewed.

**Table 1: Summary of financial information and audit coverage**

<b>Fund Agent</b>	<b>Audit Period</b>	<b>Field Mission Dates</b>	<b>CERF Contributions Received in the Audit Period (USD m)</b>
OCHA	From January 2014 to October 2016	From 19 September to 14 October 2016	n/a
<b>PUNOs</b>	<b>Audit Period</b>	<b>Field Mission Dates</b>	<b>CERF Contributions Received in the Audit Period (USD m)</b>
UNFPA	From 1 January 2015 to 30 June 2016	From 19 September to 7 October 2016	0.6
UNHCR	Grants allocated in 2014 and 2015 or implemented and reported in 2015 to 2016	From 2 to 21 May 2016	7.0
UNICEF	Grants allocated in 2015 or implemented and reported in 2015 to 2016	From 18 August to 9 September 2016	11.1
WFP	From 1 January 2015 to 30 April 2016	From 19 to 30 September 2016	26.3
<b>Total</b>			<b>45.0</b>

(Source: accounting systems of the respective participating organizations; figures are unaudited)

### III. Results of the Audit

#### Lines of enquiry and observations by Internal Audit Service

The joint audit work was structured using a coordinated risk assessment conducted before fieldwork, and agreed upon with the participating Internal Audit Services. Some risks and lines of enquiry may only relate to some organizations, depending on their role. If applicable to an organization and there were no reportable observations, the section will indicate that 'controls were found to be effective'.

Participating Organization	Observation	Recommendation/Agreed Action
<b>1. Strategy &amp; Decision Making</b>		
1.1 Prioritization of sectors and projects at field level and eligibility and allocation criteria for projects selection		
OCHA UNFPA UNHCR UNICEF WFP	Controls relating to <i>Prioritization of sectors and projects at field level and eligibility and allocation criteria for projects selection</i> were found to be effective at all organizations reviewed.	None
1.2 Field level allocations		
OCHA UNFPA UNHCR UNICEF WFP	Controls relating to <i>Field level allocations</i> were found to be effective at all organizations reviewed.	None

Participating Organization	Observation	Recommendation/Agreed Action
1.3 Consultations, cluster roles and coordination mechanisms		
OCHA UNFPA UNHCR UNICEF WFP	Controls relating to <i>Consultations, cluster roles and coordination mechanisms</i> were found to be effective at all organizations reviewed.	None
1.4 Process timelines		
OCHA UNFPA UNHCR UNICEF WFP	Controls relating to <i>Process timelines</i> were found to be effective at all organizations reviewed.	None
1.5 Project proposals		
OCHA UNFPA UNHCR UNICEF WFP	Controls relating to <i>Project proposals</i> were found to be effective at all organizations reviewed.	None
1.6 Complementarity of funding		
OCHA UNFPA UNHCR UNICEF WFP	Controls relating to <i>Complementarity of funding</i> were found to be effective at all organizations reviewed.	None



Participating Organization	Observation	Recommendation/Agreed Action
<b>2. Project Implementation</b>		
2.1 Partners' capacity assessment and allocation of projects to implement		
UNFPA UNHCR UNICEF WFP	Controls relating to <i>Partners' capacity assessment and allocation of projects to implement</i> were found to be effective at all organizations reviewed.	None
2.2 Actual project implementation		
UNFPA UNHCR UNICEF WFP	Controls relating to <i>Actual project implementation</i> were found to be effective at all organizations reviewed.	None
<b>3. Monitoring, Evaluation &amp; Reporting</b>		
3.1 Monitoring of agency implemented projects		
UNFPA	UNFPA controls relating to <i>Monitoring of agency implemented projects</i> were found to be effective.	None

Participating Organization	Observation	Recommendation/Agreed Action
UNHCR	<p>OCHA expects UNHCR at the country level to provide substantive verification of performance reports, using its own management control frameworks. The UNHCR Programme Manual provides for the use of project documents to track activities implemented under the direct implementation modality.</p> <p>The UNHCR Representation in Ethiopia did not prepare separate project documents for directly implemented CERF-funded activities to facilitate project tracking and reporting. Therefore, for these activities, the Representation could not provide evidence to the Office of Internal Oversight Services to substantiate achievements reported to OCHA.</p> <p>In addition, the Representation was not adequately monitoring project activities implemented by partners, as it did not verify and reconcile narrative and financial reports received from its implementing partners to support the project achievements and to validate the results from partners' use of CERF funding.</p> <p><u>Underlying cause</u> Inadequate monitoring and verification of the utilization of CERF funds and the achievements to which these contributed.</p>	<p>The UNHCR Representation in Ethiopia should implement oversight mechanisms to ensure that results reported on the use of funds received from the CERF are supported by appropriate baseline project requirements and targets, as well as reliable project implementation reports for both directly implemented activities and those implemented by partners duly verified and reconciled by UNHCR.</p> <p>UNHCR partially accepted the recommendation considering that the Representation had fully and systematically complied with CERF reporting requirements and that the additional reporting recommended by OIOS was not required by CERF. UNHCR also stated that the Representation had ensured that CERF funded projects implemented by partners were adequately monitored and underwent the same performance and financial verification in compliance with UNHCR policies. However, the Representation would endeavour to provide evidence on the mechanisms put in place to further strengthen project documentation, performance and financial monitoring of CERF funded activities. The full response of UNHCR on this recommendation is published on the OIOS website, attached to the final report on the audit of UNHCR operations in Ethiopia.</p>

Participating Organization	Observation	Recommendation/Agreed Action
UNICEF WFP	UNICEF and WFP controls relating to <i>Monitoring of agency implemented projects</i> were found to be effective.	None
3.2 Agency reporting to OCHA		
UNFPA UNHCR UNICEF	Controls relating to <i>Agency reporting to OCHA</i> were found to be effective as reviewed in UNFPA, UNHCR and UNICEF.	None
WFP	<p>Implementing partners were late submitting their distribution reports. Not all the reports requested by the audit were available at the country office at the time of the fieldwork and there was no reconciliation between dispatched and distributed commodities.</p> <p>Management informed the audit that alternative mechanisms for tracking distribution had been put in place (weekly phone calls to distribution points) and a special operation was launched in May 2016 to address capacity and operational issues of partners on the ground.</p> <p>WFP corporate systems, and particularly the commodity management system, do not allow direct linkage of a single contribution to food distributed and associated costs.</p> <p>As a result of these combined aspects, project operational data to be reported to CERF required significant manual processing by the country office. It had to calculate reported figures based on assumptions, which were not clearly disclosed in the reports. Discrepancies were noted in operational data reported for one of the contributions, due to an increase in the price of commodities distributed which had not been detected in time. Implementing partners do not consistently report data splits for gender and/or age, so data reported to CERF had to be estimated or pro-rated.</p> <p><u>Underlying Cause</u> Lack of implementing partners' capacity. Manual and cumbersome process for them to collect and provide beneficiaries' data. Settings of corporate systems not supporting CERF reporting requirements and requiring manual and cumbersome calculation of project data to be reported to OCHA.</p>	<p>Pending the implementation of an automated beneficiaries' system, the CO will:</p> <ul style="list-style-type: none"> <li>(a) reinforce with IPs the need of providing timely and detailed information/data in line with agreed standards;</li> <li>(b) maintain evidence of checks performed over distributions; and</li> <li>(c) enhance its disclosure of the use of assumptions in its project data calculation.</li> </ul>

Participating Organization	Observation	Recommendation/Agreed Action
3.3 Evaluation and lessons learned		
UNFPA UNHCR UNICEF WFP	Controls relating to <i>Evaluation and lessons learned</i> were found to be effective at all organizations reviewed.	None

Annex A – CERF Contributions to PUNOs in Ethiopia (2014-2016)<sup>8</sup>

2016					
Agency	Agency Project	Sector	Window*	Approved	Approved Date
UNHCR	UNHCR Protection Shelter (16-RR-HCR-044)	Protection/Human Rights/Rule of Law	RR	3,200,770	26/10/2016
UNICEF	Responding to life-saving needs of South Sudanese refugees in Gambella (16-RR-CEF-116)	Water and sanitation	RR	2,990,796	26/10/2016
WFP	Provision of Life Saving Food and Nutrition Assistance to South Sudanese Refugees (16-RR-WFP-066)	Food	RR	2,170,297	24/10/2016
UNICEF	WASH and Nutrition emergency response in Gambella and Benishangul Gumuz (Assosa) Regions (16-UF-CEF-020)	Health - Nutrition	UFE	1,800,000	17/03/2016
WFP	Provision of food assistance to South Sudanese refugees (16-UF-WFP-009)	Food	UFE	5,791,119	16/03/2016
UNHCR	Provision of protection and emergency assistance to South Sudanese refugees in Ethiopia (16-UF-HCR-011)	Health	UFE	2,400,000	10/03/2016
<b>Total</b>				<b>18,352,982</b>	

2015					
Agency	Agency Project	Sector	Window*	Approved	Approved Date
WFP	Responding to Humanitarian Crises and Enhancing Resilience to Food Insecurity (15-RR-WFP-075)	Food	RR	17,003,929	11/11/2015
UNHCR	Life-saving assistance for Eritrean-Afar and Urban Refugees (15-UF-HCR-039)	Multi-sector	UFE	1,499,941	11/09/2015
WFP	Targeted Supplementary Food Programme (15-UF-WFP-053)	Health - Nutrition	UFE	3,500,000	10/09/2015
UNICEF	Ensuring timely and quality management of children suffering from severe acute malnutrition in Ethiopia (15-UF-CEF-088)	Health - Nutrition	UFE	2,499,918	10/09/2015
UNICEF	Provision of Emergency WASH services in Afar, Amhara, Oromia, SNNP and Somali regions in Ethiopia (15-UF-CEF-089)	Water and sanitation	UFE	1,016,109	10/09/2015
UNICEF	Support to Emergency Health and Nutrition Response in Afar and Somali regions, Ethiopia (15-UF-CEF-087)	Health	UFE	500,000	10/09/2015
<b>Total</b>				<b>26,019,897</b>	

<sup>8</sup> Source <http://www.unocha.org/cerf>

2014					
Agency	Agency Project	Sector	Window*	Approved	Approved Date
WFP	Food Assistance to South Sudanese refugees (14-RR-WFP-080)	Food	RR	9,749,769	11/11/2014
UNHCR	Core Relief Items and emergency shelter for South Sudanese refugees in Ethiopia (14-RR-HCR-045)	Shelter and non-food items	RR	3,250,000	11/11/2014
UNICEF	Support the construction of Emergency Water Supply System for the South Sudanese Refugees in Gambella (14-RR-CEF-155)	Water and sanitation	RR	1,000,001	11/11/2014
UNHCR	Protection and Lifesaving Assistance to Eritrean Refugees in Shire Camps (14-UFE-HCR-035)	Multi-sector	UFE	1,434,136	14/10/2014
UNFPA	Emergency Reproductive Health Response (ERHR) for drought affected communities in East and West Hararghe Zones of Oromia Region (14-UFE-FPA-035)	Health	UFE	646,608	08/10/2014
UNICEF	Provision of Emergency WASH Services in Afar, Oromia and Somali Amhara and SNNP regions (14-UFE-CEF-128)	Water and sanitation	UFE	1,649,673	07/10/2014
UNICEF	Support to Emergency Health and Nutrition Response in Afar and Somali regions, Ethiopia (14-UFE-CEF-127)	Health	UFE	299,983	07/10/2014
WFP	Food Assistance to Eritrean, Somali and Sudanese refugees (14-UFE-WFP-066)	Food	UFE	1,512,354	03/10/2014
WFP	Targeted Supplementary Feeding Programme (14-UFE-WFP-065)	Health - Nutrition	UFE	1,000,000	03/10/2014
UNICEF	Emergency Nutrition Response in SNNP, Somali and Oromia regions, Ethiopia (14-UFE-CEF-126)	Health - Nutrition	UFE	1,500,049	02/10/2014
WFP	UN humanitarian air services (UNHAS) (14-UFE-WFP-067)	Coordination and Support Services - Logistics	UFE	500,000	29/09/2014
UNICEF	Life-saving interventions to asylum seekers, refugees and host communities affected by the South Sudan Crisis (14-RR-CEF-032)	Water and sanitation	RR	840,700	06/03/2014
WFP	Food Assistance to South Sudanese refugees in Ethiopia (PRRO 200365) (14-RR-WFP-016)	Food	RR	3,049,478	04/03/2014
UNHCR	Emergency Response to South Sudanese refugees in Gambella (14-RR-HCR-011)	Multi-sector	RR	792,506	04/03/2014
<b>Total</b>				<b>27,225,257</b>	

## Annex B – Acronyms

CERF	Central Emergency Response Fund
ERC	Emergency Relief Coordinator
IAS	Internal Audit Service
IP	Implementing Partner
OCHA	Office for the Coordination of Humanitarian Affairs
PUNO	Participating UN Organization
UN-RIAS	United Nations Representatives of Internal Audit Services
RR	Rapid Response
UFE	Underfunded Emergency
UN	United Nations
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
USD	United States Dollar
WFP	World Food Programme