



**Panel of External Auditors of the United Nations,  
the Specialized Agencies  
and the International Atomic Energy Agency**

***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***

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## *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 46<sup>th</sup> regular session, held in December 2005. It draws on audit work performed by the Comptroller and Auditor General of India, the Comptroller and Auditor General of the United Kingdom and the United Nations Board of Auditors. The French Court of Accounts was in charge of the general coordination of the report.
3. The report highlights common issues identified during these individual audits and provides recommendations for consideration by the United Nations System Chief Executives Board for Coordination. It does not constitute an audit opinion on a set of financial statements, nor does it represent the result of a single audit.
4. It is our hope that this report will fulfill three purposes:
  - reinforce the accountability of the United Nations, its Funds, Programmes and Specialized Agencies;
  - identify common issues or areas for improvement that would require collective action on the part of these organizations;
  - demonstrate the benefits of a coordinated approach to external oversight within the United Nations context.

5 December 2006

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## **Observations and recommendations of the Panel of External Auditors of the United Nations**

5. On 26 December 2004, an earthquake off the coast of Indonesia created a massive tsunami affecting countries such as Indonesia, Sri Lanka and Thailand. An estimated 240,000 people died as a result of the disaster and over a million people were displaced. An earthquake on 28 March 2005 further affected Nias, Simeuluë and the southern parts of Aceh in Indonesia.

6. The level of public attention and generosity toward the tsunami relief operation were exceptional. This was both the largest international response to a natural disaster and the largest response by the public on record<sup>1</sup>.

7. The External Auditors of the United Nations entities taking part in the tsunami response<sup>2</sup> had to determine the appropriate audit approach and extent of work needed to ensure adequate oversight of the operation. The factors that were taken into account for this determination included the significance of the tsunami operation in relation to the overall activities of the organization and the extent of the audit coverage provided by internal oversight bodies. Whereas some external auditors relied essentially on internal audit findings, others performed varying amounts of audit work themselves.

8. The approaches followed by each External Auditor and relevant extracts of published external audit reports are reproduced in the Annexes. Wherever appropriate, a summary of internal audit findings is also provided.

9. We have determined that the organizations we audit had reported income of \$1.37 billion for the Indian Ocean tsunami by 31 December 2005, of which \$0.62 billion, (45.6 per cent), had been spent on the same date.

10. Although the responses of the United Nations, its Funds, Programmes and Specialized Agencies were generally deemed effective, significant deficiencies were highlighted in the area of inter-agency coordination. The Panel brings these cross-cutting issues and areas requiring improvement to the attention of the United Nations Chief Executives Board for Coordination for its consideration.

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<sup>1</sup> Tsunami Evaluation Coalition, "funding the tsunami response", July 2006, p. 21.

<sup>2</sup> The entities audited by Panel Members that took part in the tsunami response and received funds for this purpose were the Office of the United Nations High Commissioner for Refugees (UNHCR), the United Nations Children's Fund (UNICEF), the United Nations Development Fund for Women (UNIFEM), the United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP), the United Nations Educational, Scientific and Cultural Organization (UNESCO), the United Nations Food and Agriculture Organization (FAO), the United Nations Human Settlements Programme (UN-Habitat), the United Nations Office for Project Services (UNOPS), the United Nations Population Fund (UNFPA), the United Nations Secretariat, the United Nations Volunteers Programme (UNV), the World Food Programme (WFP), the World Health Organization (WHO).

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 the Office for the Coordination of Humanitarian Affairs aimed to present a comprehensive and up-to-date view of tsunami Flash Appeal project expenditures. However, the data that it contained was not consistent, comprehensive or up-to-date. This was due to inconsistencies in data format and information systems, lack of cooperation by some agencies and lack of resources within OCHA to track down and treat data. Therefore, the need for a consistent and accurate depiction of financial flows of complex humanitarian operations involving multiple United Nations entities has still not been adequately addressed.

**13. The Panel recommends that the United Nations System Chief Executives Board for Coordination, in conjunction with the Office for the Coordination of Humanitarian Affairs, set-up an agreed procedure to accurately record, monitor and disclose financial flows in the event of significant inter-agency operations.**

#### **Emergency preparedness**

14. The preparation for emergencies should allow for a quick, effective and efficient response in the event of a disaster. Within the United Nations, the primary responsibility for establishing and updating contingency plans rests with country teams, under the leadership of humanitarian and/or resident coordinators and within the guidelines provided by the Inter-Agency Standing Committee. Yet there were no comprehensive, up-to-date United Nations system-wide disaster preparedness and emergency plans in Indonesia, the Maldives or Sri Lanka when the tsunami struck. This indicates a need for the guidelines on contingency planning and emergency preparedness to be reviewed and monitored for implementation.

**15. The Panel recommends that the United Nations System Chief Executives Board for Coordination support the review of guidelines on contingency planning and emergency preparedness to be undertaken by the Inter-Agency Standing Committee at the request of the Office for the Coordination of Humanitarian Affairs.**

#### **Needs assessments**

16. The assessment of needs is another area where insufficient inter-agency coordination was in evidence. Although there were isolated instances of joint needs assessments, the United Nations funds, programmes and specialized agencies did not share a comprehensive needs assessment methodology. This resulted in inconsistencies and

needless duplication. Although the Office for the Coordination of Humanitarian Affairs should take the lead role in devising such a joint methodology, it needs the support of funds, programmes and agencies in order to make progress in this regard.

**17. The Panel recommends that the United Nations System Chief Executives Board for Coordination provide the leadership in supporting the Office for the Coordination of Humanitarian Affairs in order to adopt and implement a joint needs assessment methodology.**

#### **Emergency personnel rosters**

18. All United Nations entities that take part in humanitarian relief activities need to deploy personnel to the field in order to implement their emergency programmes. The maintenance of a strong control environment in emergency situations is dependent on the speed of deployment of qualified personnel. Following the tsunami emergency, a number of funds and programmes found that this human resources challenge would be facilitated by the development of emergency personnel rosters. However, these rosters are currently being developed in isolation, whereas the United Nations as a whole may benefit from developing a consolidated roster. This could prove both more efficient and cost-effective.

**19. The Panel recommends that the United Nations System Chief Executives Board for Coordination consider consolidating all existing emergency personnel rosters to improve efficiency and cost-effectiveness.**

#### **Transition from relief to recovery**

20. The transition from relief to recovery proved difficult in the countries most affected by the disaster, particularly as regards the leadership and coordination in the shelter, livelihood and water and sanitation sectors. The large number of well-funded humanitarian actors (in addition to the United Nations) heightened the existing challenges of coordinating the transition from humanitarian to developmental assistance. The Office for the Coordination of Humanitarian Affairs needs to address this issue within the framework of the Inter-Agency Standing Committee. The United Nations Chief Executives Board for coordination should support these efforts and monitor their progress, as they will affect the effectiveness of future transitions from relief to recovery.

**21. The Panel recommends that the United Nations System Chief Executives Board for Coordination support the adoption of an improved framework for transition from relief to recovery.**

#### **Joint United Nations anti-fraud and anti-corruption strategy**

22. 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. 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 risks or actual cases of fraud and corruption. Adopting such a strategy would also allow the United Nations system to demonstrate to the outside world its overall resolve in tackling the issue of fraud and corruption.

**24. The Panel recommends that the United Nations System Chief Executives Board for Coordination adopt, implement and publicize a joint anti-fraud and anti-corruption strategy.**



## **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, as reflected in table 6.

Table 6  
**Tsunami-related income and expenditure of the United Nations, its funds and programmes, 2004-2005**

(Millions of United States dollars)

<i>Agency</i>	<i>Total available income</i>	<i>Expenditure</i>	<i>Proportion spent (percentage)</i>
UNICEF	660.0	200.7	30.4
UNDP	158.2	76.2	48.2
UNHCR	59.2	34.0	57.4
UN-Habitat	32.2	9.4	29.2
UNFPA	30.3	19.1	63.0
OCHA <sup>a</sup>	21.6	13.8	63.9
United Nations Volunteers programme	7.8	0.9 <sup>b</sup>	11.5
UNEP	6.6	3.2	48.5
UNIFEM	2.7	1.5 <sup>b</sup>	55.6
Others	0.4	—	—
<b>Total</b>	<b>979.0</b>	<b>358.8</b>	<b>36.7</b>

*Source:* United Nations Board of Auditors, Financial Tracking System, agencies.

<sup>a</sup> Office for the Coordination of Humanitarian Affairs of the Secretariat.

<sup>b</sup> Data as at 31 October 2005.

<sup>c</sup> United Nations Development Fund for Women.

27. Agencies gave various explanations for the low implementation rate. UNDP and UNICEF indicated that their role in development activities, beyond humanitarian relief, justified carrying funds over to 2006 and beyond. UNHCR explained that delays in the building of shelters in Indonesia and Sri Lanka were due to legal and environmental reasons. Building houses after a natural disaster was not part of the core mandate of UNHCR, and that explained why it did not have the relevant in-house skills to undertake such projects. As regards UN-habitat, progress reports of tsunami projects indicated significant delays. The need for site preparation and cost run-ups were some of the issues identified in this regard.

### **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 coordinators. There were no comprehensive, up-to-date United Nations system-wide disaster preparedness and emergency plans in Indonesia, Maldives or Sri Lanka. Since the tsunami, the Office for the Coordination of Humanitarian Affairs and UNDP have worked with Governments to develop national contingency plans.

29. UNICEF and UNHCR had developed emergency preparedness or contingency plans in the affected countries. However, they were not detailed and concrete enough to be of assistance during the early phase of the disaster. The Board noted some deficiencies such as:

(a) Lack of a clear human resources mobilization plan, lists of essential supplies and an emergency in-country logistic plan;

(b) Lack of awareness by some staff of the emergency preparedness and response planning or in sufficient training in the details of the plan;

(c) No formal endorsement or dissemination of a staff contingency plan.

### **Assessment of needs**

30. The United Nations and its funds and programmes did not share a common rapid assessment methodology. UNICEF lacked standard assessment tools and guidance to support a consistent approach to rapid assessments and ensure comprehensive coverage and quality of assessment data. Only its country office in Sri Lanka had developed standard assessment templates to ensure data comparability. However, they were not systematically used in the field.

31. After the tsunami, UNICEF had issued an updated emergency field handbook, which addressed the conduct of initial assessments. It had also developed a draft manual for rapid assessment. The manual could serve as input to other United Nations agencies engaged in humanitarian activities.

32. More than a year after the tsunami, some agencies had not devised detailed multi-year budgets and workplans regarding the use of requested funds. That was the case for UNICEF (Indonesia) and UNHCR (Indonesia and Sri Lanka). There was therefore a risk that the fund allocation process would be based on inaccurate needs assessment and that the agencies' capacity would not be commensurate with the funds received.

### **Effectiveness of the immediate response**

33. The response of UNICEF to the tsunami in the first 6-8 weeks was consistent with the programme commitments made. Given the scale of the devastation and the challenges of access to the affected areas, the UNICEF staff who took part in that operation deserved credit for their effective action.

34. The immediate response of the Office for the Coordination of Humanitarian Affairs to the tsunami was to deploy to the affected countries five United Nations Disaster Assessment and Coordination (UNDAC) teams consisting of 44 disaster-response experts from 18 countries and four international organizations. Although they were sent to the field in a timely manner, they were not provided with a briefing pack before arriving in the country of operation.

35. UNHCR participated in an operation at the request of the Secretary-General although not directly within its mandate related to refugee protection. Despite that peculiar situation, no specific UNHCR evaluation has been conducted in order to find out what lessons were learned for future involvement of UNHCR in relief operations arising from natural disasters.

36. UN-Habitat did not produce timely progress reports, a fact that hindered the identification of delays and cost over-runs.

#### **Effectiveness of inter-agency coordination**

37. The tsunami evaluation coalition (composed of the Office for the Coordination of Humanitarian Affairs, the Food and Agriculture Organization of the United Nations (FAO), UNDP, UNFPA, UNICEF, WHO, WFP, non-governmental organizations and donors) considered that, given the sheer number of participants, coordination was not effective. As the Office for the Coordination of Humanitarian Affairs admitted in its 2005 annual report, the competition among actors on the ground, in particular competition for clients or affected populations, and the lack of incentives to coordinate since funds were abundant, led to duplication and confusion.

38. In Sri Lanka, the Office for the Coordination of Humanitarian Affairs acknowledged that performance at the district level was not fully effective due to the deployment of junior staff without enough backup or equipment in many places. While some of the staff performed well beyond expectations, the overall picture as recorded by the Tsunami Evaluation Commission was one of lack of effectiveness on the part of the Office for the Coordination of Humanitarian Affairs at the district level.<sup>3</sup>

#### **Civilian-military coordination**

39. Although staff of the Office for the Coordination of Humanitarian Affairs had been positioned in the regional command centre in Thailand since 31 December 2004, they experienced severe communication problems with the field and were unable to effectively match requests and offers of military assets.

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<sup>3</sup> *OCHA Annual Report 2005*, p. 172.

40. UNHCR used military means in the emergency phase. Most notably in Indonesia, it used Swiss rotating wings and United States or Indonesian army vehicles. There was, however, a lack of agreement between the United Nations and military forces apart from the Memorandum of Understanding between UNHCR and the Swiss army.

#### **Transition from emergency relief to rehabilitation**

41. The Office for the Coordination of Humanitarian Affairs had mixed successes in trying to coordinate the transition to recovery. In Thailand, the country team started considering recovery needs as early as 10 January 2005, at a time when the United Nations Disaster Assessment and Coordination team was still in the country. In Sri Lanka, the Office for the Coordination of Humanitarian Affairs contributed to the adoption by the country team of a transitional strategy in April 2005, following the midterm review of the flash appeal. A similar strategy had not yet been implemented in Indonesia as at February 2006. However, the Office for the Coordination of Humanitarian Affairs, UNDP and the United Nations Development Group had tried to plan the transition from relief to recovery and organized a joint visit to Indonesia in June 2005. Following the visit, the Office of the United Nations Recovery Coordinator for Aceh and Nias was created in September 2005. Its objective was to further the aims of United Nations reform while providing a unique counterpart to the Banda Aceh Jayah Reconstruction and Rehabilitation Agency.

#### **United Nations country team anti-fraud strategy**

42. 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. As a result, there was no sharing of information between agencies for the purpose of blacklisting persons involved in procurement and other irregularities.

43. UNDP did not have a fraud prevention strategy in place at the time of the tsunami relief efforts. Such a strategy for UNDP was only circulated to the country office in August 2005, or eight months after the initial response to the emergency. Anti-fraud efforts had been undertaken in the implementation of the Banda Aceh emergency response and transitional recovery programme, in the form of a guidance note on accountability and transparency measures.

#### **Monitoring of financial flows**

44. As the Financial Tracking System of the Office for the Coordination of Humanitarian Affairs did not cover expenditures, the Inter-Agency Standing Committee decided to create the Expenditure Tracking System, maintained by the Office for the Coordination of Humanitarian Affairs. Accordingly, the website of the Expenditure Tracking System was launched in May 2005. Participating agencies had committed themselves to providing information to the Office for the Coordination of Humanitarian Affairs in Geneva on a monthly basis. The Board noted the following shortcomings:

(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 database<sup>4</sup> 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 available. Those bank accounts were opened without authorization and no monthly bank reconciliations were performed. Petty cash custodians were also not formally designated.

47. At UNICEF, cash assistance provided to local counterparts represented 40 per cent of 2005 tsunami expenditures. In Indonesia, the Office of Internal Audit identified a number of cases where implementing partners had no capacity to effectively manage funds. Furthermore, the UNICEF Office of Internal Audit considered that UNICEF staff were not aware of shortcomings of the local implementing partners and weaknesses in systems, such as poor internal financial reporting or low financial management expertise.

### **Human resources mobilization**

48. United Nations agencies deployed significant staff to the affected area. Despite the volume of the staff mobilization achieved, there were some weaknesses in the emergency recruitment process. Neither UNDP nor the Office for the Coordination of Humanitarian Affairs had a formalized database of staff experienced in the management of humanitarian disasters, which could serve as a tool in identifying staff for urgent deployment in complex disasters. UNDP, UNICEF and the Office for the Coordination of Humanitarian Affairs each set up its own roster of emergency personnel.

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<sup>4</sup> When the Expenditure Tracking System was conceived and agreed on by agencies, it was not yet known that the office of the special envoy would encourage the creation of donor assistance databases funded by UNDP and maintained by Governments. The databases would track the funding and expenditure of all tsunami-related activities, including long-term reconstruction (beyond the flash appeal).

49. The recruitment procedures for temporary fixed-term contracts resulted in some delays. Although the Office for the Coordination of Humanitarian Affairs was able to open sub-offices in Indonesia between 9 January and 11 February 2005, some sub-offices in Sri Lanka that would have been needed in January 2005 could only be opened in March 2005. The Office for the Coordination of Humanitarian Affairs also suffered from vacancies in some of its most senior field positions, such as the deputy humanitarian coordinator in Banda Aceh, which was vacant for 19 weeks in 2005. For UNICEF, the time frame of recruitment for temporary fixed-term contracts was between four and nine months. In UNHCR offices in Sri Lanka, staff resources peaked in May and June 2005, when the initial emergency phase was over.

50. Other shortcomings noted at UNICEF included:

(a) At UNICEF, excessive turnover of staff; inconsistent procedures to identify the skills and experience; poor hand-over procedures; and competition between agencies for qualified candidates;

(b) At UNHCR, qualification of staff was not always in line with the needs;

(c) At the Office for the Coordination of Humanitarian Affairs, there were difficulties in recruiting staff members for short-lived missions;

(d) At UNDP, personnel deployed were not fully aware of operational requirements and guidelines, and insufficient time was provided for training.

#### **Procurement, supplies and logistics management**

51. UNDP increased the procurement authority of its Resident Representative to Indonesia to \$1 million in January 2005, subject to the provision that copies of all contracts exceeding \$100,000 be provided to the Office of Legal and Procurement Support for review on a post facto basis. However, the Board could not confirm that such contracts had been provided for review. Also, the lead time of UNDP purchases in Indonesia appeared to be excessive.

52. The supply and distribution planning at UNICEF, as well as market searches in most of the affected countries, resulted in a number of purchases remaining unused. Similarly, unutilized purchases in UNHCR offices in Sri Lanka totalled \$1.3 million of tsunami funds in Indonesia and Sri Lanka.

53. At the Office for the Coordination of Humanitarian Affairs, purchases did not meet the requirements of the office for which they had been purchased and, at the time of the audit, were still unutilized.

[...]

## *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. The Board recommends that the Office for the Coordination of Humanitarian Affairs improve its human resources planning to avoid long periods of vacancies in its administrative offices.**

56. No administrative officer was sent to the tsunami-affected countries for the longer term. By the end of October 2005, there were 55 staff members in the Sri Lanka offices and, by January 2006, over 70 in the Aceh and Nias offices. The financial and administrative management of the operation relied mainly on newly recruited national staff acting as administrative assistants, who benefited from the intermittent short-term support of administrative officers sent on mission. Although UNDP provided assistance, this was essentially limited to accommodating some of the field offices and performing basic procurement and recruitment functions on behalf of the Office.

**57. The Administration agreed with the Board's recommendation that the Office for the Coordination of Humanitarian Affairs deploy adequate administrative and finance staff when setting-up new offices or responding to large-scale emergencies.**

58. The management of the field offices was also hampered by the lack of an administrative manual. The draft of the administrative manual for field offices, proposed in November 2004, was not officially approved until May 2006. This created legal, administrative and financial uncertainty that was detrimental to the control environment of the Organization, as shifting references were made to varying sets of rules (United Nations Headquarters and UNDP rules and regulations), according to the circumstances.

### **Human resources management**

59. When the tsunami struck, the Office for the Coordination of Humanitarian Affairs did not have a ready roster of staff members willing to be redeployed to take part in emergency relief operations. On 31 December 2004, the Geneva office began identifying such staff members, 30 of whom were deployed to the tsunami operation, mainly from the Geneva and New York offices. The duration of their missions was almost systematically extended beyond the initial three weeks. In Indonesia and Sri Lanka, mission staff stayed on average for between one month and 1.4 months, although some individuals stayed for up to six months.



60. One of the main reasons for extending the stay of mission staff was that the processing of fixed-term recruitments was delayed. At first, the Office created 65 temporary posts, including 17 in Geneva, 32 in Indonesia, 12 in Sri Lanka and 2 each in the Maldives and Thailand. However, by 1 March 2005, only 11 recruitments had been completed for Indonesia, 7 for Sri Lanka and 1 for Thailand. The causes for those delays included the absence of a roster system for the quick deployment of externally recruited staff, the absence of standard terms of reference for field posts, and the use of the standard recruitment processes of the United Nations Office at Geneva for emergency recruitments.

**61. The Administration agreed with the Board's recommendation that the Office for the Coordination of Humanitarian Affairs develop procedures for the quick deployment of recruited candidates in emergencies.**

62. The Administration informed the Board that it had obtained a delegation of authority for the recruitment and administration of field staff on 200 series service contracts and that it would design a roster and vacancy management system. Both are due to be implemented from 1 January 2007.

63. Although the Office for the Coordination of Humanitarian Affairs eventually managed to deploy 74 international professionals to the disaster, difficulties in the identification and recruitment of a sufficient number of qualified staff were one of the most serious obstacles to the effectiveness of the Office in the tsunami operation. In January 2005, the office in Sri Lanka wrote that timing was critical, and that field-based operational coordination to support United Nations focal points and the Government's district secretariats was needed immediately for the relief phase, and should be phased out within three months. However, the Galle sub-office opened in mid-February 2005, the Batticaloa office opened on 2 March and the Ampara office on 7 March, nine weeks after the tsunami. The shortage of human resources was such that the Office for the Coordination of Humanitarian Affairs put an intern in charge of one of its sub-offices, located in a phase III area that was one of the most heavily affected by the tsunami, for the period from 12 July to 22 August 2005.

64. The record of the Office for the Coordination of Humanitarian Affairs was comparatively better in Indonesia, where sub-offices were opened between 9 January and 1 February 2005, as priority was given to assigning individuals to the country most affected. However, the position of Deputy Humanitarian Coordinator in Aceh and Nias was vacant for 19 weeks in 2005 and, by January 2006, 63 per cent of the international professionals and 73 per cent of the heads of sub-offices had had no prior experience with the Office.

65. The Office for the Coordination of Humanitarian Affairs faces the challenging task of recruiting experienced staff members for relatively short-lived missions in difficult terrain. Its terms and conditions are often not perceived as particularly advantageous compared to those of other United Nations funds and programmes recruiting from the same talent pool, at the same time and for the same destinations.

**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

office was three months for goods and services and six months for payroll.

**71. The Board recommends that the Office for the Coordination of Humanitarian Affairs overhaul accounting procedures and systems to reduce the volume of manual processing effort and improve efficiency.**

72. Field offices were unable to log on directly to IMIS to follow the rate of expenditure of their budgets. Therefore, the Office for the Coordination of Humanitarian Affairs devised the Financial Accounting System (FAS) to provide field offices with income and expenditure data from IMIS. This project, initiated in 2001, had cost \$467,483 as at August 2005, when the Office indicated that it had become operational. However, of the three offices visited by auditors, one (Sri Lanka) could not log on to FAS, while there were discrepancies in the data of the other two offices (between the approved cost plan and the allotments recorded in FAS, or between actual and recorded disbursements for field-managed expenditure).

**73. The Board recommends that the Office for the Coordination of Humanitarian Affairs intensify its efforts to develop the Financial Accounting System so that it can be effectively used by its field offices.**

#### **Bank and cash deposits**

74. The following observations were made in relation to banking in Indonesia and Sri Lanka:

- (a) Banks statements for two of six bank accounts in Indonesia were not produced. These bank accounts were opened without the authorization of the Under-Secretary-General for Management;
- (b) No monthly bank reconciliations were performed;
- (c) Petty cash custodians were not formally designated as such.

**75. The Board recommends that the Office for the Coordination of Humanitarian Affairs take steps to obtain bank statements for all accounts in Indonesia and Sri Lanka under its control and perform a monthly reconciliation. The Board also recommends that the Office obtain covering approval from the Under-Secretary-General for Management for the bank accounts which were opened without prior approval and formally designate custodians of petty cash in Indonesia and Sri Lanka.**

#### **Procurement**

76. The Office for the Coordination of Humanitarian Affairs in Geneva ordered two computer servers for tsunami-related operations on 29 April 2005, and a third server and two hard disks on 4 May 2005. A total of three purchase orders, worth \$31,606, were issued to a single supplier, without an invitation to bid.

77. In Sri Lanka, the minimum standard specifications for two air-conditioning units were not provided to UNDP by the Office. This was

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 situation.

**79. The Board recommends that the Office for the Coordination of Humanitarian Affairs ensure, as far as possible, strict compliance with the procurement manuals in respect of invitations to bid, the specification of items to be purchased and in reviewing requisitions and placing orders.**

#### **Asset management**

80. At the Indonesian and Sri Lankan offices, the inventory system was not adequate as items were not tagged, their values were not recorded or their serial numbers were missing. In Sri Lanka, there were inconsistencies between the lists kept by sub-offices and the equivalent lists maintained by the head office.

81. In Indonesia, the list of non-expendable property contained 548 items, but values had been recorded for only 21 of them (3.8 per cent). The Office for the Coordination of Humanitarian Affairs indicated that its office in Indonesia had provided an updated inventory in March 2006, and that it would carry out a full inventory by the end of June 2006.

82. The Board noted that the field offices visited did not maintain adequate control over their fleet of vehicles, in terms both of maintenance and verification of fuel consumption. The Administration stated that some progress had been made following the Board's visit.

**83. The Administration agreed with the Board's recommendation that the Office for the Coordination of Humanitarian Affairs implement an improved system for asset and inventory management for its field offices.**

#### **Flash appeal and the monitoring of financial flows**

84. The Financial Tracking System (FTS) of the Office for the Coordination of Humanitarian Affairs was launched in 2000 and was being upgraded to overcome identified weaknesses at the time of the tsunami. As this system did not cover expenditure, the Inter-Agency Standing Committee decided in the early stages of the tsunami operations to create the Expenditure Tracking System (ETS), which is maintained by the Office for the Coordination of Humanitarian Affairs. Although ETS was developed with the help of a pro bono offer of services, it required manpower to service it, estimated at \$430,500 (senior programme manager, database administrator, administrative assistant etc.). This extra cost had not been anticipated

or budgeted when the offer of assistance was accepted, and a grant was requested from the United Nations Foundation to finance it.

85. The ETS website was launched in May 2005. Participating agencies had committed themselves to providing the information to the Office in Geneva on a monthly basis. The website indicated that the expenditure information was a real-time snapshot, and although it could not yet be considered certified and able to be audited, it was meant to provide a meaningful indication of how agencies were handling funds.

86. Several agencies did not provide any information on expenditure, even though they had requested funds as part of the flash appeal projects. This was the case for the Department of Safety and Security of the United Nations Secretariat, UNESCO, UNEP and the Joint United Nations Programme on HIV/AIDS (UNAIDS). Although non-governmental organizations had been encouraged by the Emergency Relief Coordinator to submit data, only 3 of 20 did so. Moreover, some participating agencies (UNDP and UNHCR, in particular) had not reported on the allocation to specific projects of some \$30 million of unearmarked funds.

87. The Office for the Coordination of Humanitarian Affairs did not reconcile ETS expenditure statements with the financial statements of participating agencies. It explained that the reconciliation would be difficult in any case as the delineation of flash appeal projects provided by the agencies did not always match the delineation of projects in their internal financial systems.

88. Participating agencies have agreed to use the cash plus accrual basis when reporting on the total expenditure amount to ETS. However, two agencies (ILO and the International Organization for Migration (IOM)) were using the cash basis of accounting. Consequently, the data they provided would underestimate their expenditure rate compared to those calculated on an accrual basis. Similarly, other agencies (such as UNICEF) only calculated unliquidated obligations at the end of financial periods. Therefore, any interim figure provided would be given on the basis of disbursements, not commitments.

**89. The Board recommends that the Office for the Coordination of Humanitarian Affairs coordinate with participating agencies to ensure consistency in the approach to tracking expenditure related to emergency relief.**

90. When ETS was conceived and agreed on by agencies, it was not yet known that the office of the Special Envoy would encourage the creation of a series of donor assistance databases, funded by UNDP and maintained by national governments. These databases would track the funding and expenditure of all tsunami-related activities, including long-term reconstruction (beyond the flash appeal).

91. The Board identified major inconsistencies between the donor assistance database figures, the ETS figures and the official figures provided by the United Nations Recovery Coordinator for Aceh and Nias to the Indonesian Government. For instance, as at 31 December 2005, ETS indicated that flash appeal agencies had received \$357.4

million for Indonesia, whereas the Recovery Aceh Nias Database (RAND), which covered a wider scope, only showed \$295.1 million. The discrepancies for individual agencies varied between 97 and 510 per cent. The official figure (including recovery projects) was \$684.2 million (according to the accountability statement, signed by the Recovery Coordinator and addressed to the Head of the Reconstruction and Rehabilitation Agency). Similarly, the total spent by IOM appeared as \$40.8 million on the ETS database, whereas it appeared as \$33.1 million in the official figures transmitted to the Government. Conversely, the relevant figures for UNDP were \$18.6 million in ETS as against \$37.9 million reported to the Government.

92. The discrepancies were due to the differing procedures and formats of the tracking system. Staff of the donor assistance databases request and receive the information from country offices, whereas FTS and ETS receive it from agency headquarters. This had consequences in the full accounting of expenditure, as country offices often excluded the part of funding that they do not control, unlike headquarters. The Administration intends to develop a unified method of reporting funding and expenditure.

**93. The Board recommends that the Office for the Coordination of Humanitarian Affairs liaise with participating agencies to reconcile the information fed into the Expenditure Tracking System and the donor assistance databases to ensure full and accurate reporting of expenditure.**

94. Data from participating agencies were not submitted in a timely manner. For instance, as at May 2006, the most recent data updates for Indonesia had been made in July 2005 for the World Food Programme (WFP), and in December 2005 for ILO, United Nations Population Fund (UNFPA), UNICEF, the United Nations Industrial Development Organization (UNIDO) and the World Health Organization (WHO). The Office for the Coordination of Humanitarian Affairs had most recently updated its own expenditure figures on 1 March 2006 for Indonesia and Sri Lanka, but for its projects in Somalia and the Maldives, on 31 December 2005.

95. Even though reminders were sent to agencies, the Office for the Coordination of Humanitarian Affairs had no means of compelling them to submit data. Some agencies have changed or realigned their flash appeal projects without informing ETS of the changes (i.e., increase/decrease in project requirements; merging of several projects; deletion of projects). However the Office had been unable to follow up these cases with all agencies for want of sufficient manpower.

**96. The Board recommends that the Office for the Coordination of Humanitarian Affairs improve coordination among the participating agencies in regard to the timely submission of data for the Expenditure Tracking System.**

#### **Emergency preparedness and contingency planning**

97. The primary responsibility of establishing contingency plans for potential emergencies rests with each United Nations country team, under the leadership of the resident coordinator/humanitarian coordinator. To provide guidance and support to humanitarian

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 December 2005 that this review featured on the 2006 workplan of the working group. It also indicated that certain United Nations country teams were weaker, and/or disaster management and contingency planning did not rate high on their list of priorities.

98. In the report on early warning and early action prepared by the working group of the Inter-Agency Standing Committee in September 2004, the only mention of South Asia was of the possibility of tropical storms in relation to the monsoon. By the time the tsunami struck in December 2004, there were no comprehensive, up-to-date United Nations-wide disaster preparedness and emergency plans in the most affected countries (Indonesia, Sri Lanka and Maldives), although individual agencies, including the Office for the Coordination of Humanitarian Affairs, had developed some plans of their own.

**99. The Administration agreed with the Board's recommendation that the Office for the Coordination of Humanitarian Affairs request a prompt review by the Inter-Agency Standing Committee of the guidelines for contingency planning and emergency preparedness to ensure a timely and adequate response to emergencies.**

#### **Relationships between the Office for the Coordination of Humanitarian Affairs in New York and in Geneva**

100. When the tsunami struck, the Office for the Coordination of Humanitarian Affairs was about to reorganize its management structures in order to streamline decision-making, strengthen field support and provide a more integrated response to humanitarian emergencies.<sup>5</sup> The Humanitarian Emergency Branch, based in New York, and the Response Coordination Branch, located in Geneva, were to be merged into a Coordination and Response Division, under a director based in New York, as at 1 January 2005. This would combine all desk functions for both complex emergencies and natural disasters.

101. The primary entry point for complex emergencies would be the desk officer or section chief in the Coordination and Response Division in New York, whereas the primary entry point for natural disasters would be the equivalent position in the Coordination and Response Division in Geneva. Most of the tools and procedures used to deal with natural disasters were operated from Geneva, whereas the political aspects of complex emergencies were dealt with from New York. The Coordination and Response Division, with 49 posts in Geneva, was to report both to the Geneva-based Assistant Emergency Relief Coordinator (through the Deputy Director) and to the New York-based Under-Secretary-General and Emergency Relief

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<sup>5</sup> Office for the Coordination of Humanitarian Affairs, *Annual Report, 2004: Activities and Use of Extrabudgetary Funds*, p. 46. Available online at <http://ochaonline.un.org>.

Coordinator (through the Director of the Coordination and Response Division).

102. During the tsunami emergency, however, this division of responsibilities was not strictly followed as the Office in New York took a leading role in the operation. The nomination of the Deputy Emergency Relief Coordinator as the Special Coordinator of the Secretary-General for the tsunami, followed by the designation of the Secretary-General's Special Envoy for Tsunami Recovery, added to the complexity of the reporting lines from the point of view of the field. The deployment of staff to the field by the Office in New York, without prior consultation with the Office in Geneva or the field, was an illustration of the risks involved in the dual accountabilities.

103. The Emergency Relief Coordinator attempted to clarify the reporting lines between New York and Geneva, but did not indicate how the Office in Geneva could be held accountable for the response to natural disasters if the Office in New York was allowed to take a leading role in major crises. Conversely, the standard operating procedures, whereby the tools managed by the Emergency Services Branch in Geneva would be made available to the Office in New York in such circumstances, remained unclear. The Administration indicated that this was being addressed in the full implementation of the merger of the New York and Geneva branches, an improved relationship with the Emergency Services Branch and the development of clearer standard operating procedures and guidelines. It had also requested an evaluation by the Office of Internal Oversight Services of the merger of the New York and Geneva branches.

**104. The Administration agreed with the Board's recommendation that the Office for the Coordination of Humanitarian Affairs streamline the lines of responsibility, accountability and authority for natural disasters and complex emergencies.**

#### **Immediate response of the Office for the Coordination of Humanitarian Affairs to the tsunami**

105. Five United Nations Disaster Assessment and Coordination (UNDAC) teams, comprising 44 disaster-response experts from 18 countries and four international organizations, were deployed to five of the tsunami-affected countries. Although they were sent to the field in a timely manner, they were not provided with a briefing pack before arriving in the country of operation. The Administration explained that this was because the tsunami happened at a time when the Office was understaffed (i.e., in the end-of-year holidays). There was, however, no evidence of an evaluation of the performance of the individual team members in previous emergencies.

106. The Administration explained that, as the selection of UNDAC team members was made by participating Member States, any system for formally evaluating a team member would require the agreement of the countries concerned and endorsement by the UNDAC advisory board. Previous attempts to introduce such a system had not been accepted and risked a loss of support. However, the Board is of the view that the Office for the Coordination of Humanitarian Affairs has



the prerogative to select which UNDAC team members to use in its operations.

**107. The Board recommends that the Office for the Coordination of Humanitarian Affairs systematically assess the performance of members of United Nations Disaster Assessment and Coordination teams and use that assessment as a basis for sending response teams to a disaster zone.**

108. The UNDAC teams issued cross-sectoral situation reports that were sent to the Office in Geneva on a regular basis. The format, length and content of those reports varied from one country to another. Assessment missions were sent by multiple United Nations agencies in the immediate aftermath of the tsunami. Sri Lanka was the only country in which the various assessments were consolidated into a common report that summarized the needs by district as at 5 January 2005. In Thailand, joint assessments were undertaken, but the UNDAC team was not invited to participate. In the other countries, the UNDAC teams did not consolidate their reports with those of other United Nations assessments. The consolidation exercise was hampered by the fact that United Nations agencies do not all use the same needs assessment methodologies. As the secretariat of the Inter-Agency Standing Committee, the Office has a responsibility to ensure that such harmonization moves forward.

**109. The Board recommends that the Office for the Coordination of Humanitarian Affairs take the lead role in ensuring the harmonization of needs assessment methodologies among concerned United Nations agencies in the event of emergencies.**

#### **Logistics contribution of the Office**

110. In Sri Lanka, the Government had waived import taxes and duties for all relief items and introduced a simplified centralized clearance procedure. The clearing of goods through Customs and their physical handling initially ran smoothly throughout January 2005. However, on 4 February 2005, a return to pre-tsunami customs procedures was enforced. This followed reports that commercial goods had been imported fraudulently, using the facilities provided by the Government for the tsunami relief operation.

111. In accordance with the new policy, United Nations agencies could still import relief items free of taxes, if cleared by each line ministry. Specific procedures were defined for each category of items. Additional requirements pertained to telecommunications equipment, in particular very small aperture terminals (VSATs), and vehicles. The immediate consequence of this change of policy was to slow down the clearing of goods of United Nations and humanitarian agencies.

112. By 14 February, UNICEF reported a great number of goods awaiting clearance in ports and airports. Other United Nations agencies were also affected by this sudden bottleneck, among them IOM (construction and communication equipment), WHO (vehicles, laboratory equipment and VSATs), UNHCR (tents, pipes and communications equipment), UNDP, WFP (non-food items). This equipment was delayed in Customs for a period ranging from between

three to four months (UNHCR tents, IOM communications equipment).

113. The Humanitarian Coordinator raised the issue with the Government late in February, to no avail. By 7 March 2005, 250 containers were awaiting clearance at the port of Colombo, and 290 by the first week of April. Particular difficulties were recorded regarding VSAT equipment. The difficulties were compounded by the fact that each agency had sent this type of equipment without consulting each other. A number of representatives of operational United Nations agencies insisted on the significant challenges that the customs issue represented for the implementation of their relief programme, and expressed regret that the Office for the Coordination of Humanitarian Affairs and the Humanitarian Coordinator had not been more successful in achieving its early resolution.

#### **Civilian-military coordination**

114. The first civilian-military coordination officers were deployed to Sri Lanka and Indonesia on 4 January 2005, nine days after the disaster. Although the staff of the Office for the Coordination of Humanitarian Affairs had been positioned in the regional command centre in Thailand since 31 December 2004, they experienced severe communications problems with the field and were unable to match effectively requests for and offers of military assets.

115. In Indonesia, the only document on civilian-military coordination that could be retrieved by the Office of the Recovery Coordinator for the Board was an end-of-mission report prepared by one of the officers. This report noted many shortcomings in the training, logistical organization and reporting lines of the civilian-military coordination effort. In Thailand, the staff of the Office for the Coordination of Humanitarian Affairs did not take part in civilian-military coordination in the initial stages of the disaster.

116. In Sri Lanka, two coordination officers (civilian) were sent to Colombo as part of an in kind contribution by the Swiss Government. A week elapsed before they could obtain an appointment with the Humanitarian Coordinator, who had not requested their assignment. Their only recorded activities at the Colombo office were a note by the Humanitarian Coordinator addressed to the United Nations country team providing a list of military assets present in Sri Lanka, and the draft of a situation report on military assets present in the country. No record was kept of any actual request being processed by the officers.

**117. The Administration agreed with the Board's recommendation that the Office for the Coordination of Humanitarian Affairs ensure that civilian-military cooperation is enhanced during emergencies.**

#### **Managing the transition from relief to rehabilitation**

118. In the countries visited by the Board, the Office for the Coordination of Humanitarian Affairs had mixed success in trying to coordinate the transition from disaster relief to recovery. In Thailand, the country team had begun considering recovery needs as early as 10

January 2005, at a time when the UNDAC team was still in the country. This was possible because of the relatively smaller scale of the disaster in Thailand, compared to the worst affected countries. In Sri Lanka, the Office for the Coordination of Humanitarian Affairs contributed to the adoption by the country team of a transitional strategy in April 2005, following the midterm review of the flash appeal. By contrast, such a strategy had not been agreed on in Indonesia as at February 2006. However, the Office, UNDP and the United Nations Development Group Office tried to plan the transition from relief to recovery and organized a joint visit to Indonesia in June 2005. The result of the visit was to create the Office of the United Nations Recovery Coordinator for Aceh and Nias, in September 2005. The objective of that Office was to further the aims of United Nations reform while providing a unique counterpart to the Indonesian Government's Reconstruction and Rehabilitation Agency.

119. The United Nations Recovery Coordinator for Aceh and Nias wanted to recruit a senior recovery adviser, assisted by a team of thematic advisers. These advisers would deal with themes such as gender, environment, livelihood, transitional and permanent shelter, land issues and governance. Many of those issues were covered by the regular country programmes of other agencies, and there was particular sensitivity in regard to governance and livelihood.

120. UNDP expressed some reservations as to the desirability of the thematic adviser approach, on the grounds that it might duplicate the work of existing United Nations agency advisers, confuse governmental partners and prove not to be cost-efficient. A debate took place and the decision by the United Nations country team was to proceed with recruitment. However, the Humanitarian Coordinator indicated that several agencies, not just UNDP, still had questions about why there should be substantive duplication in the Office of the Recovery Coordinator of functions already carried out by the agencies. These doubts indicate the uncertainties that surround the institutional mechanisms designed to coordinate the transition between relief and rehabilitation.

**121. The Board recommends that the Office for the Coordination of Humanitarian Affairs draw on the Indonesian experience to propose an institutional model for coordination in transitions from disaster relief to recovery.**

#### **Effectiveness of field coordination**

122. In Indonesia, the tsunami evaluation coalition (composed of the Office for the Coordination of Humanitarian Affairs, FAO, UNDP, UNFPA, UNICEF, WHO, WFP, non-governmental organizations and donors) found that, given the sheer number of participants (over 500 non-governmental organizations at one point, according to the annual report of the Office for the Coordination of Humanitarian Affairs for 2005), coordination had not been effective. As the Office admitted in its annual report for 2005, the competition among actors on the ground, in particular competition for clients or affected populations,

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

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. By late March 2005, it had become apparent to the Office for the Coordination of Humanitarian Affairs that the issue of transitional shelter needed to be brought back onto the agenda. However, this effort was interrupted by the Nias and Simeuleu earthquakes on 28 March 2005, and the near simultaneous departure of UNHCR which had specific expertise in transitional shelter. This led the Office to focus on other, more pressing issues.

125. By 30 June 2005, the Head of the Office in Indonesia emphasized the need to put the issue of transitional shelter back on the agenda of aid agencies. He considered that, while the Banda Aceh shelter working group continued to focus on permanent shelter, the issue of alternative transitional shelter had also to be tackled, and that the Office must take on a stronger role in bringing together key partners. By 16 August 2005, a working document on the immediate and transitional shelter needs in Aceh and North Sumatra provinces indicated that, of the 518,459 persons displaced by the tsunami, an estimated 65,228 lived in a transitional living centre, while 153,477 were living in self-settled tents and 299,754 were living with host families.

126. The Recovery Coordinator declared that the fact that between 60,000 and 100,000 people were still living in tents at that stage was unacceptable. He then launched a temporary shelter action plan on 29 September 2005, which relied heavily on a partnership with the International Federation of Red Cross/Red Crescent Societies (IFRC). IFRC committed \$80 million to procuring and transporting 20,000 shelter kits and packages, which were expected to be in the country by mid-November 2005, in time for them to be distributed before the first-year commemoration. However, the sourcing of timber, an essential component of the shelter kit, proved much more difficult than anticipated.

127. One of the positive outcomes of the temporary shelter action plan was the commitment obtained from UNICEF and a number of non-governmental organizations to work on the upgrading of substandard transitional living centres. As at 31 May 2006, 7,058 frames had been erected, of which 2,049 and 1,038 had been fitted with timber/plywood and gables, respectively. The planned provision stood at 15,317 as at 31 May 2006.

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<sup>6</sup> Office for the Coordination of Humanitarian Affairs, *Annual Report, 2005: Activities and Use of Extrabudgetary Funds*, p. 168. Available online at <http://ochaonline.un.org>.

**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-related outputs that were achieved were the organization of workshops in tsunami-affected countries and the loan of one public information officer to the Resident Coordinator's office in Thailand.

130. The Office has admitted that, in Sri Lanka, its performance at the district level was not fully effective owing to the deployment of junior staff without enough backup or equipment in many places, and that while some of those staff had performed well beyond expectations, the overall picture as recorded by the tsunami evaluation coalition was one of a lack of effectiveness of the Office at the district level.<sup>7</sup> This finding is confirmed by the Board's own observations on the Office's level of staffing, equipment and support.

131. The Board noted several instances of duplication and concerns in regard to the quality of the assistance provided to the livelihood sector and, in particular, the fisheries area. For example, in the Ampara district, an FAO consultant noted that 1,000 boats were already oversupplied, according to the information available. In another instance, the participants in the meeting on livelihood held in the same district noted that one non-governmental organization had supplied 1,000 canoes, of which 500 were not seaworthy. The minutes of another meeting recorded that some fishermen had received the hulls of the boats but no fishing gears.<sup>8</sup>

132. The situation in Batticaloa and Galle was not significantly different. For instance, in its mapping of humanitarian activity in Batticaloa, the Office for the Coordination of Humanitarian Affairs noted the concern that various organizations had donated many boats but that only a few coordinated their activities through the Fisheries Department and the task force, which might result in beneficiary duplication, a proliferation of unregistered boats and, eventually, overfishing.

**133. The Board recommends that the Office for the Coordination of Humanitarian Affairs take the lead role in ensuring effective inter-agency coordination in the provision of emergency assistance.**

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<sup>7</sup> Office for the Coordination of Humanitarian Affairs, *Annual Report, 2005 ...*, p. 172.

<sup>8</sup> Minutes of the meetings held on 23 June 2005 (Ampara), 28 July 2005 (Ampara) and 22 September 2005 (Kalmunai).

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.**

## ***United Nations Children's Fund (UNICEF)***

### *Background*

138. The Board visited UNICEF country offices in India, Indonesia, Sri Lanka and Thailand, as well as the UNICEF Supply Division to review their responses to the tsunami. The Board relied on the Office of Internal Audit's assessment of the UNICEF response in the Maldives, Indonesia and Sri Lanka (internal audit visits in the latter two country offices took place four to five months prior to the Board's visits), as well as the two regional offices and seven headquarters divisions that had been involved in it. The Board did not review the tsunami operations in Malaysia, Myanmar and Somalia, which received \$19.4 million or 2.9 per cent of funds.

### *Income*

139. UNICEF requested \$144 million for six months as part of the 6 January 2005 Indian Ocean flash appeal. That amount was increased to \$152 million in April 2005 (midterm review), and to \$326.2 million a month later, to cover operations for one year. UNICEF also indicated that it needed funds to cover its rehabilitation and reconstruction programmes in addition to flash appeal amounts, although estimates of these needs varied over time. By 24 January 2005, total project implementation needs were estimated at \$300 million through the end of 2007, whereas projections of funds to be received totalled \$345 million. The Executive Director requested that no new initiatives be undertaken to raise funds for the tsunami-affected region, although events already planned could go ahead. Governments would no longer be approached by UNICEF for the tsunami.

140. By 14 March 2006, projected receipts reached \$550 million (\$517 million programmable). UNICEF wrote to National Committees that the latest expenditure projections are based on similar figures, and have been confirmed by field offices. That implies that UNICEF has the capacity to implement that amount and that it is the maximum amount needed for that emergency, as foreseen at that point. UNICEF requested National Committees to refuse conditional donations and to ensure that any contributions received are "allocated in the most flexible manner, e.g., thematic humanitarian funding (i.e., funds free to use for any tsunami-related purpose and in any tsunami-affected country of our choice).

141. On 27 April 2005, projected receipts amounted to \$653 million. UNICEF then wrote to National Committees that "while the assessments of rehabilitation and reconstruction needs are not fully completed, we have a thorough enough understanding of the likely roles that UNICEF will play in these activities to confirm that with the amounts on hand we have sufficient monies to finance our foreseeable work in the aftermath of the disaster". Therefore, "NOW we need to STOP accepting all funds which are earmarked for the tsunami".

142. UNICEF requested that, if possible, the funds be reallocated to other emergencies. In most cases, that was not possible as the funds

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 totalled \$672.3 million, three quarters of which came from UNICEF National Committees and 22.3 per cent from Governments (the balance came from the United Nations, field-office private-sector fund-raising and international non-governmental organizations). At the same time, during 2005, a number of UNICEF emergency appeals were less than 50 per cent funded, such as the appeals for the Sudan (\$328.3 million requested, only 34.7 per cent funded), Côte d'Ivoire (\$15.9 million requested, 22.6 per cent funded) and Eritrea (\$13.1 million requested, 34.6 per cent funded). The contrast between the tsunami operation and these other emergency operations should be an incentive for UNICEF to review its relationships with National Committees. The risks would be for them to continue providing a disproportionate amount of funds for causes that spontaneously attract donor sympathy while not focusing sufficiently on providing funds for less well-received emergencies.

**144. UNICEF agreed with the Board's recommendation that it review its relationships with National Committees in the light of the experience of the tsunami fund-raising.**

#### *Expenditure*

145. Field offices that have taken part in the tsunami response have not recorded emergency programmes in a consistent and harmonized way in the ProMS software. As a result, reporting on allocations and expenditure for the flash appeal or other tsunami-related projects requires a time-consuming and potentially error-prone manual processing. The Board thus identified a number of discrepancies between headquarters and field office figures with regard to the breakdown of expenditure per flash appeal sector (the overall amount did, however, match). UNICEF undertook to reconcile those discrepancies and had yet to report to the Board on the results of that exercise.

**146. UNICEF agreed with the Board's recommendation that it provide guidance to field offices on the appropriate method to structure emergency programmes for reporting purposes.**

147. The level of expenditure seems particularly low for Indonesia compared with the allocations, as reflected in the table II.9. That results from the fact that, initially, all the contributions earmarked for Indonesia were allocated to that country office for expenditure during 2005, whereas its tsunami programme had to be spread out over a number of years. Other offices did not receive the totality of their allocation for future years in 2005.



Table II.9  
**Expenditure on tsunami projects in 2005**

(Millions of United States dollars)

	<i>Allocation (1)</i>	<i>Expenditure (2)</i>	<i>(2)/(1) (percentage)</i>
Indonesia	241.3	84.8	35.1
Sri Lanka	65.6	56.3	85.8
Maldives	31.7	22.4	70.7
Thailand	8.2	7.0	85.4
India	17.4	14.5	83.3
Other countries	19.4	7.1	36.6
Regional offices	4.8	4.2	87.5
Headquarters	4.5	4.4	97.8
<b>Total</b>	<b>392.9</b>	<b>200.7</b>	<b>51.1</b>

*Source:* Country offices, Office of Internal Audit reports, Cognos management information reports. The total is not equal to overall tsunami income as \$40.1 million have been set aside for support costs as part of the cost recovery process, including \$14.6 million in 2005. Resources have also been allocated for future years. "Other countries" include Malaysia, Myanmar and Somalia.

#### *Emergency preparedness*

148. Up-to-date, reliable and concrete emergency preparedness and response plans would have greatly assisted the affected country offices. According to the UNICEF programme, policy and procedure manual, all offices are requested to develop such a plan and keep it updated. Although all the offices involved in the response had drafted an emergency preparedness and response plan, none was fully satisfactory. They lacked three key elements to be truly operational: a clear human resources mobilization plan, lists of essential supplies and an emergency in-country logistics plan.

149. Knowledge of existing plans was also variable. For instance, in Indonesia, some staff were not aware of the existence of the emergency preparedness and response plan, while in Thailand the staff was not sufficiently trained in the details of the plan. In practice, the offices placed little reliance on the existing plans and addressed problems for the most part on an ad hoc basis.

**150. UNICEF agreed with the Board's recommendation that it review its guidance on emergency preparedness and response planning to ensure that critical areas such as human resources and supply are covered in sufficient detail.**

151. Although regional offices had provided assistance to the affected countries in 2004, they had not ensured that the emergency preparedness and response plans were sufficiently concrete to be of real assistance.

**152. UNICEF agreed with the Board's recommendation that regional offices regularly monitor the status and quality of country office emergency preparedness and response plans.**

*Assessment of needs, its links with requests and allocation of funds*

153. The rapid assessment of the situation of women and children affected by the tsunami represented a massive challenge that had to be carried out in difficult circumstances. UNICEF staff performed well in the initial stages of the disaster, providing useful data that was fed into situation reports produced within hours of the disaster. However, the Office of Internal Audit found that UNICEF lacked standard assessment tools and guidance to support a consistent approach to rapid assessments and ensure comprehensive coverage and quality of assessment data. Only the Sri Lankan country office developed standard assessment templates to ensure data comparability. However, they were not systematically used in the field.

154. Since the tsunami, UNICEF had issued an updated emergency field handbook (July 2005), which addresses the conduct of initial assessments. It also developed a draft manual for rapid assessment, which could be beneficial to other United Nations agencies engaged in humanitarian activities, as they have yet to agree on a common rapid assessment methodology.

**155. UNICEF agreed with the Board's recommendation that it finalize the development of its "rapid assessment manual" and share it with members of the Inter-Agency Standing Committee to form the basis of a common methodology.**

156. The core commitments to children in emergencies required country offices to produce expanded assessments within the first six to eight weeks following the disaster. They were not produced in India, Sri Lanka or the Maldives. As the Sri Lankan office chose to rely on the numerous assessments already available from other sources to avoid duplication, its coverage of the issues within the UNICEF mandate was not comprehensive (lack of gender-disaggregated data) and the various sources of data used could not be reliably consolidated.

**157. UNICEF agreed with the Board's recommendation that it assist country offices to ensure that they produce an extended assessment in compliance with the core commitments to children in emergencies.**

158. The process that led to the allocation of funds to field offices resulted from the combination of the assessment of needs and the availability of funds. UNICEF decided that any funds received for the tsunami above and beyond the flash appeal amounts would be spent in a time-span of two to five years. However, that was not consistently based on a multi-year planning process. Whereas Sri Lanka developed an overall three-year plan in April 2005, neither Indonesia nor Maldives drafted similar plans.

159. The combination of flash appeal amounts and rehabilitation and recovery funds far exceeded initial assessments of needs. In Sri Lanka, the final draft of the UNICEF contribution to the flash appeal, dated 2 January 2005, requested \$24 million. The next day, the figure

had been doubled, to \$47.8 million. The eventual allocation was \$170.4 million as at 24 May 2006, 7 times the initial assessment and 3.6 times the initial flash appeal amount. Similarly, the allocation to Indonesia (\$284.6 million) represents 5.6 times the amount of the initial flash appeal (\$50.4 million). The equivalent ratio is 2.5 for India (the February 2005 funding proposal was \$11.5 million), and 2.4 for Maldives.

160. Admittedly, the generosity of the public has been exceptional and, as such, difficult to accurately predict. UNICEF indicated that it had worked in the tsunami-affected countries prior to the disaster and “will continue to work in these countries after the initial emergency phase is over. It is therefore understood that UNICEF would need funding beyond the emergency phase to cover its rehabilitation and reconstruction programmes”.

161. It also highlighted that the majority of the tsunami funding (about 55 per cent) took the form of thematic humanitarian funding, which allowed it to be spent during a three-to-five-year period following the disaster. The willingness of donors to direct their funds towards that more flexible type of funding reflected effective advocacy by UNICEF.

162. By accepting funds earmarked for the tsunami that far exceeded initial and revised requests from the field without benefiting from comprehensive multi-year budgets based on fully developed workplans, UNICEF took some risks. They included the risk that actions would need to be targeted to indirectly affected or unaffected communities. There was also a risk that the UNICEF absorptive capacity (as well as that of local contractors and suppliers) would not be equal to the challenge of effectively and expeditiously managing recovery programmes on such a scale. Both risks could have an indirect impact on the reputation of UNICEF with donors and beneficiaries, whose expectations were commensurate with the exceptional level of funds accepted.

**163. UNICEF agreed with the Board’s recommendation that it produce comprehensive multi-year budgets and workplans for utilizing funds received in excess of initial requirements.**

*Contributions management and donor reporting*

164. UNICEF allocated \$26.9 million of funds to affected field offices and kept a detailed record of each allocation decision. The first funds were sent to Sri Lanka and Maldives on 29 December 2004 and to Indonesia the next day. Donor conditions were accurately recorded and passed on to field offices.

165. Beyond the initial phase, decisions taken for the allocation of thematic humanitarian funding earmarked for the tsunami were made on the basis of the degree of funding of the flash appeal for that country, information contained in situation reports and other sources and projections on likely available funding per country. The flash appeal targets were used as guides for the allocation of funds to the affected countries with no formal or explicit assessment of the relative needs of the country offices, beyond the initial rapid assessment made

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 allocate emergency funding to field offices in the context of appeals or other validated plans.**

167. UNICEF decided to extend its assistance not only over time, but also geographically and thematically, to include indirectly affected communities, in order to avoid creating tension between beneficiaries and neighbouring communities. That approach also resulted in a higher implementation rate of the funds received, in a context in which a great number of humanitarian organizations were present in the field.

168. In Sri Lanka, that district-wide approach represented between 9.5 and 17.8 per cent of expenditures, depending on the sector, between May and December 2005 (earlier data was not available). Some projects excluded from the district-wide approach were not directly tsunami-related either. For instance, a \$23.4 million water scheme programme included a \$5.3 million project whose objective was to "augment water supply" — although it was located in an affected district, the water network itself had not suffered damage from the tsunami. The project had been added to the programme in July 2005, even though it did not feature in a February water and sanitation assessment of needs and workplan. UNICEF also agreed to provide \$1.2 million to a non-governmental organization over a two-year period to look after unaccompanied minors, separated children and children who had lost one parent as a result of the tsunami. The implementing partner was unable to indicate the exact number of tsunami-affected children who were taking part in its programmes and had in fact lost track of most of them.

169. The Board reviewed a sample of six donation files for Sri Lanka, representing \$36 million that were used at least partly to fund the district-wide approach, to determine whether donor conditions were compatible with that approach. One file contained an explicit indication that the donor left it to UNICEF to determine where funds were most needed. None of the other files contained any indication that the donor had approved the use of funds for projects that were not directly tsunami-related. In one case, a report sent to the donor made it clear that the remaining balances would be used for the district-wide approach, but the donor's consent to that effect was not documented in the file.

**170. UNICEF agreed with the Board's recommendation that it systematically seek explicit donor approval to extend or modify the geographic or thematic reach of funds with which it is entrusted.**

#### *Human resources mobilization*

171. Given the size of the human resources challenge created by the tsunami, UNICEF performed adequately in terms of quantity and quality of staff recruited. By September 2005, 450 persons had been deployed at least for some period to the tsunami-affected areas, some

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 resource for human resources issues in Sri Lanka, while five people dealt successively with supply and logistics in the Maldives. The impact of the turnover was compounded by inconsistent procedures to identify the skills and experience of short-term staff before clearance, and poor handover procedures. The forthcoming review of human resources should address that issue.

**173. UNICEF agreed with the Board's recommendation that it include the management of emergency surge capacity in its strategic review of human resources.**

174. UNICEF field offices also recruited a significant number of fixed-term and temporary fixed-term staff as part of the tsunami response. For instance, 98 posts were created for Indonesia, 78 for Sri Lanka, 14 for Thailand and Maldives. The time frame for that recruitment was not quite satisfactory. In Indonesia and Sri Lanka, the majority of arrivals occurred between four and nine months after the tsunami. In Thailand, all the temporary fixed-term staff was recruited over nine months after the disaster. The temporary fixed-term recruitment procedure proved particularly cumbersome in an emergency context, characterized by strong competition between agencies for qualified candidates.

**175. UNICEF agreed with the Board's recommendation that it include the recruitment process of temporary fixed-term staff for emergencies in its strategic review of human resources.**

#### *Procurement and supplies management*

176. The affected offices' flow of supplies increased on average tenfold in the aftermath of tsunami. That created significant risks in terms of effectiveness (timeliness and adequacy of supplies), safeguarding of UNICEF's financial interests and compliance with regulations and rules.

177. The Board reviewed all the offshore emergency deliveries to India, Indonesia, Maldives and Sri Lanka (there were none to Thailand) made during the initial phase of the operation, between 26 December 2004 and 11 February 2005. The deliveries amounted to \$4 million and complied with regulations and rules. However, 70 per cent of the items (per value) were delivered at least one day after the target arrival date, 20 per cent more than 10 days after and 12 per cent later than 26 days after. Deliveries behind schedule were largely proportionate to the total shipped by country, except for Sri Lanka's deliveries, which were more delayed. The Board noted in its field visits that the target arrival dates set by the offices were often unrealistic. Local processing time of purchase orders was satisfactory in Indonesia, Maldives and India, whereas it was delayed in Thailand and, especially, in Sri Lanka, where an average of 22 days was recorded between authorized supply requisition and signed purchase orders.

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, \$745,000 worth of collapsible tanks were ordered in error. A total of 463 tents valued at \$520,000 were also bought in excess of needs. A total of 10,000 rubber boots and 2,477 squatting plates were purchased even though they were not suited to local needs and customs, and had been left idle in the Banda Aceh warehouse for at least five months at the time of the audit in January 2006.

179. In Sri Lanka, children's clothes, exercise books and cooking sets worth about \$1 million were not used because they did not meet local needs or quality standards (the children's clothes were in synthetic fabric and contained too many small sizes). In Thailand, the lack of a comprehensive distribution plan led to gaps and delays in the distribution of sports items and books to 100 schools, a situation that was mirrored for office supplies in Maldives.

**180. UNICEF agreed with the Board's recommendation that it improve the quality of its supply and distribution planning in emergencies in the context of avoiding wastage.**

*Management of cash assistance*

181. Cash assistance represented 40 per cent of 2005 tsunami expenditures. UNICEF was therefore largely dependent on strong counterparts with adequate capacity to successfully implement its programmes while minimizing the risk of financial mismanagement. However, in Indonesia, the Office of Internal Audit identified a number of cases where counterparts lacked capacity to effectively manage funds. In Maldives, the capacity of one of the office's main partners had not been assessed and its staff was unaware of a number of its obligations. The UNICEF Office of Internal Audit reported that UNICEF staff were often not aware of weaknesses in counterpart systems, such as poor internal financial reporting or low financial management expertise.

**182. UNICEF agreed with the Board's recommendation that it identify ways of quickly assessing and raising financial and administrative capacity of implementing partners during emergencies.**

183. Standard rates had not been set for allowances for training sessions, workshops and participation in programme activities in Indonesia and Thailand. That created inequality and inefficiencies. For instance, in Indonesia, the amount paid for volunteers in child centres varied over time between \$50 and \$900 per month. A different rate was set for local and non-local workers, although it was not always consistently applied. That put UNICEF staff in the difficult position of having to increase payments to ensure participation.

**184. UNICEF agreed with the Board's recommendation that it use standard rates of allowances for training sessions, workshops and other activities funded by cash assistance.**

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 Circular 15, revision 2, paragraph 10. For instance, one implementing partner held \$297,934 from UNICEF on its bank account as at the end of December 2005, even though it had only spent \$38,841 during the first six months of the project.

**186. UNICEF agreed with the Board's recommendation that it improve compliance of its cash assistance in Indonesia and Sri Lanka with the requirements of Financial Circular 15, revision 3.**

*Management of construction projects*

187. UNICEF is supporting construction projects for schools, health centres, and water and sanitation networks in Indonesia, Sri Lanka and the Maldives that represent an aggregate budget of \$152.1 million. The three country offices had little experience, if any, overseeing major construction works. They entered into contracts with UNOPS (for the permanent structures) and the International Organization for Migration (IOM) (for temporary schools in Indonesia) without clearing their clauses with the UNICEF Senior Adviser (Legal) resulting in the interests of UNICEF not adequately safeguarded. For instance, the Indonesian school construction contract with UNOPS (\$90 million) committed UNICEF to a set unit cost per building, over a three-year period, with no clause covering a rise in prices. In both the Indonesian and the Sri Lankan construction contracts with UNOPS, no clause allowed penalties to be imposed on UNOPS for delays in the completion of the buildings.

188. UNICEF had supported Governments in setting up 600 temporary learning centres in Indonesia, Sri Lanka and Maldives. In Indonesia alone, the UNICEF and IOM achievement in the temporary schools construction project was considerable, as 124 units had been built in a year, despite difficult circumstances. Yet that achievement was overshadowed by two factors. Expectations had been excessively raised by the agencies, which aimed to complete 200 temporary schools in 70 days. The delays in the permanent schools project also affected UNICEF's local reputation. UNICEF and UNOPS initially planned to complete 17 reconstructions and 4 refurbishments in 2005. Yet, at the end of January 2006, no permanent school had been completed. Two showcase schools built under special "fast-track" procedures at a cost of \$438,000 for the one-year anniversary of the tsunami were not completed by 26 December 2005.

189. Initial time frames were unrealistic as UNICEF failed to set up a consistent mechanism to follow up the implementation of the projects, monitor the work of contractors and manage the relationship with UNOPS. In Sri Lanka, UNICEF agreed to let UNOPS implement directly a number of construction projects, to make up for the lack of reliable contractors. However, the procedures established for the processing of construction expenditures, and in particular for worker's

wages, were far from satisfactory. It essentially relied on trust and may expose UNICEF's financial interest.

**190. UNICEF agreed with the Board's recommendation that it liaise with UNOPS to ensure that financial procedures for direct construction adequately safeguard UNICEF's interests.**

*Contribution of UNICEF to the coordination of the response*

191. UNICEF participated fully in existing coordination arrangements in the affected countries. It took part in a significant number of joint assessments and shared some of its facilities with other agencies (for instance, in the Chennai state office). It took sectoral leads in water and sanitation, education, and child protection and assisted WHO in leading the health sector. UNICEF made consistent efforts to achieve some degree of coordination in those three sectors, but met with varying degrees of success.

192. Coordination was the most effective in the child protection sector, whereas water and sanitation proved least effective and education was intermediate. According to the UNICEF Evaluation Office, the factors that proved successful in the case of child protection included timely joint assessments, common databases of information, early issuance of common standards and principles, action-oriented coordination initiatives and joint advocacy.

193. The efforts of UNICEF in the water and sanitation sector were hampered by a lack of consistent leadership in the months following the emergency, as staff turned over or there were gaps in posts being filled. It did not place sufficient emphasis on the need for a strong degree of integration with programmes carried out in the temporary and permanent shelter sectors. In Banda Aceh and Sri Lanka, numerous temporary or permanent shelter sites were selected without due consideration to issues of drainage, water or sanitation. Some were provided to beneficiaries by other agencies without adequate sanitary conditions. Although UNICEF cannot be held accountable for other organizations' failures, it did not discharge its duties as sector leader with sufficient consistency, authority or leadership. It paid the price for the absence of large water and sanitation programmes in the affected countries, and the absence of regional water and sanitation advisers in both of the affected regions.

**194. UNICEF agreed with the Board's recommendation that it review the means necessary to fully discharge its sectoral lead responsibilities for the relevant cluster in the Inter-Agency Standing Committee framework.**

*Meeting UNICEF programme commitments*

195. The evidence reviewed by the Board showed that the UNICEF response to the tsunami in the first six to eight weeks was consistent with the programme commitments it made, both in terms of focus and breadth of coverage. That was the case both regarding the implementation of programmes in the field and the support provided by headquarters, in particular the Office of Emergency Programmes. Given the scale of the devastation and the challenges of access to the



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

196. The Board commends UNICEF for the compliance of its initial response to the disaster to the programme core commitments to children in emergencies despite a very challenging environment.

197. The UNICEF response was devoted to education (one third of expenditure as at 31 December 2005), health (22 per cent), water and sanitation (21 per cent) and child protection (10 per cent). Although it was too early to assess the outcome of the actions taken in the recovery period, the Board noted that UNICEF has produced outputs that were consistent with the programme core commitments to children.

## ***United Nations Development Programme (UNDP)***

198. The Board reviewed involvement of the United Nations Development Programme in the Indian Ocean tsunami relief efforts due to the materiality of the funds involved as well as a case study of inter-agency cooperation.

199. In the immediate aftermath of the Indian Ocean tsunami of 24 December 2004 UNDP played a key role working with the Governments of the affected countries and the rest of the United Nations system to facilitate the coordination of the relief effort. Its central role involved implementing strategies to support Governments and communities that were commencing recovery activities.

200. UNDP had developed programmes to address each country's areas of concern, guided by a task force led by the organization's Regional Bureau for Asia and the Pacific and utilizing the knowledge base and the expertise of its Bureau for Crisis Prevention and Recovery. It had also supported the work of the United Nations Special Envoy for Tsunami Recovery and, with the United Nations Development Group Office, had facilitated the United Nations Resident Coordinators having the necessary resources and the capacity to offer affected countries the assistance required. In addition, local and international experts from the United Nations Volunteers (UNV) had been deployed to expedite progress in the affected countries.

201. The Tsunami Flash Appeal was issued by the Office for the Coordination of Humanitarian Affairs on 6 January 2005, on behalf of 42 United Nations and non-United Nations organizations. UNDP flash appeal income and expenditure are summarized in table II.11 below.

Table II.11  
**Flash appeal income, expenditure and unspent balance  
as at 31 December 2005**

(United States dollars)

<i>Income</i>	<i>Expenditure</i>	<i>Unspent balance</i>
126 533 448	67 107 032	59 426 415 <sup>a</sup>

<sup>a</sup> The unspent balances as at 31 December were due to the fact that programmes were being undertaken in respect of tsunami relief efforts over a period of two years, given the role of UNDP as a development agency and not merely as an emergency response agency.

Table II.12  
**Non-flash appeal income, expenditure and unspent balance as at  
31 December 2005**

(United States dollars)

<i>Income<sup>a</sup></i>	<i>Expenditure</i>	<i>Unspent balance</i>
31 626 534	9 061 992	22 564 542 <sup>b</sup>

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 tsunami relief efforts over a period of two years, given the role of UNDP as a development agency and not merely as an emergency response agency.

202. The Office of Audit and Performance Review conducted audits at the UNDP country offices in the tsunami-affected countries of Indonesia, Maldives and Sri Lanka. Its reports relating to Maldives and Sri Lanka had yet to be issued as at the end June 2006. The Board reviewed the emergency response and transitional recovery programme as part of the audit visit to the Indonesia country office. The Board's significant findings are summarized below.

### **Emergency preparedness**

203. The UNDP Indonesia country office did not have in place an emergency preparedness plan with specific procedures to follow in complex emergency situations such as the Indian Ocean tsunami of 2004. One of the functions of the Office for the Coordination of Humanitarian Affairs (OCHA) in Indonesia had been to facilitate the preparation of United Nations inter-agency contingency plans. With the establishment of the OCHA office in Indonesia in 2000, priority was placed on establishing contingency plans for specific target provinces in which there were risks of deterioration of the humanitarian context.

204. In this respect, a first Inter-Agency Contingency Plan for Banda Aceh was prepared in August 2001, as the conflict situation in Banda Aceh was deemed to be a high-risk situation. In 2003, with the advent of the Cessation of Hostilities Agreement, this contingency plan was updated.

205. Following the Indian Ocean tsunami of December 2004, a number of joint United Nations-Government lessons-learned workshops were undertaken. In particular, the May 2005 Post-Tsunami Lessons Learned and Best Practices Workshop in Jakarta focused substantially on the issue of contingency planning. The workshop found that the Government of Indonesia, the United Nations, non-governmental organizations and civil society institutions needed to develop interconnected contingency plans to respond to large-scale emergencies such as the tsunami crisis.

206. As a follow-up, in June 2005, the United Nations Technical Working Group for Disaster Risk Reduction discussed a proposal to undertake a contingency planning exercise. The Technical Working Group agreed that this process would seek to relate to and support efforts by the Indonesian National Coordinating Body for Disaster Management (BAKORNAS), which had been requested by the Vice-President of Indonesia to provide training on contingency planning for West Sumatra. It was thus important that United Nations contingency planning be undertaken together with the Government.

207. As a result, a series of contingency plan workshops were conducted by BAKORNAS at the national level (26-28 July 2005) and

sub-national levels (13 December 2005-7 March 2006), jointly funded and supported by the United Nations Technical Working Group for Disaster Risk Reduction (including, specifically, UNDP, the World Health Organization (WHO), WFP and the United Nations Educational, Scientific and Cultural Organization (UNESCO). In addition, at a retreat of the United Nations Technical Working Group on 8 and 9 December 2005, it was agreed that the United Nations national contingency plan would be developed as a joint effort of the Group, building on the previous province-specific contingency plans and linking into the Government contingency plans through BAKORNAS. The formulation of a United Nations contingency plan was still in process as of February 2006.

208. UNDP informed the Board that, in addition to the need to develop United Nations contingency plans at the country level, the UNDP Bureau for Crisis Prevention and Recovery was also advocating the development of a UNDP corporate contingency plan that would provide guidance on emergency and recovery operations at the headquarters and country office levels. Many other United Nations agencies, such as UNICEF and WFP, had such plans in place. It was further indicated to the Board that, as the lead agency for early recovery, UNDP would ensure that early recovery considerations were factored into United Nations and UNDP contingency/emergency preparedness plans. UNDP indicated that as the custodian of the resident coordinator system, it was expected to spearhead efforts to develop United Nations contingency plans at the country level, but that that process would need to be facilitated and technically supported by OCHA, albeit with the strong involvement of UNDP.

**209. The Board recommends that UNDP, in conjunction with the Office for the Coordination of Humanitarian Affairs and other United Nations agencies, develop a United Nations contingency plan.**

#### **Anti-fraud and anti-corruption strategy**

210. UNDP Indonesia did not have a fraud prevention strategy in place at the time of the tsunami relief efforts. Such a strategy for UNDP was only circulated to the country office in August 2005, eight months after the initial response to the emergency. However, this strategy did not address specific practices for dealing with emergency appeals and the use of funding obtained in response thereto. The Board noted that anti-fraud efforts had been undertaken in the implementation of the UNDP Banda Aceh emergency response and transitional recovery programme and that the efforts had been articulated in the form of a “Guidance note on accountability and transparency measures” (May 2005, revised July 2005).

211. The following documents specified additional measures that the country office would take in response to fraud and corruption:

a/ “Office of Audit and Performance Review risk assessment of tsunami-related activities” (April 2005). This report provided a series of risk mitigation recommendations relating to potential collusion, conflict of interest and corruption;

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

**212. UNDP agreed with the Board’s recommendation that it revise the content of its fraud-prevention strategy in order to address the specific circumstances arising during emergency efforts following large-scale disasters, such as the Indian Ocean tsunami of 2004.**

213. UNDP indicated it would revise the fraud-prevention strategy by expanding the scope of the document to cover anti-corruption measures and to cover other risk-mitigating factors specifically related to procurement.

*Procurement and contract management*

214. In response to the Indian Ocean tsunami disaster in Banda Aceh, UNDP Indonesia forecast additional budgeted project expenditure amounting to \$73.1 million per the Programme Manual and the flash appeal for 2005. As at 31 December 2005, \$62.7 million of expenditure had been incurred and expenditure continued to be undertaken in response to this disaster as the UNDP response had focused on immediate emergency response and transition to long-term recovery and development in Banda Aceh.

215. The Tsunami relief efforts resulted in an overall increase in procurement activities at the country office during 2005, which necessitated strict adherence to the UNDP Procurement Manual in order to facilitate efficient and transparent procurement processes. As a result of UNDP Indonesia’s continued efforts in respect of transition and recovery in Banda Aceh, procurement remained an important focus area for UNDP in response to this complex disaster.

*Increase in procurement authority*

216. The Assistant Administrator and Director, Bureau of Management increased the procurement authority of the Resident Representative to \$1 million, in a letter dated 4 January 2005, in order to facilitate procurement relating to the Tsunami recovery process. This letter stated that such increase in procurement authority was “subject to you providing copies of all contracts exceeding \$100,000 to the Office of Legal and Procurement Support for review on a post facto basis”. However, no evidence could be provided to indicate that copies of all such contracts had been forwarded for review to that office.

**217. UNDP agreed with the Board’s recommendation that it (a) ensure that all contracts exceeding \$100,000 are submitted to the Office of Legal and Procurement Support in order to facilitate proper control of the procurement process as it relates to the increased procurement authority and (b) review ex post facto transactions that have taken place.**

*Procurement lead times*

218. The Board analysed expenditure data in order to establish the average time from the date on which a purchase requisition was completed to the date on which payment was effected in respect of the goods requisitioned. The analysis was done in respect of all purchase orders relating to the Indonesia country office for the biennium 2004-2005 as well as of those purchase orders for the Aceh disaster recovery project, in order to ascertain the difference in lead times in normal circumstances and in an emergency/disaster situation. The results are reflected in the table below.

Table II.13  
**Average procurement lead times**

	<i>Indonesia country office (All projects)</i>	<i>Project 42897 (Aceh disaster recovery)</i>
Average number of days from purchase requisition to purchase order	41	27
Average number of days for approval of purchase order	48	22
Average number of days from approval of purchase order to delivery of goods	78	80
Average number of days from purchase requisition to delivery of goods	167	129
<b>Approximate time in months</b>	<b>5</b>	<b>4</b>

219. No benchmarks existed for UNDP in respect of procurement lead times and therefore there were no such benchmarks either in respect of the requisition of goods and services in an emergency response situation. As is evident from table II.13, the procurement lead times in respect of the emergency response project expenditure were on average 38 days less than in normal procurement situations. However, an average time of 129 days to procure goods or services in an emergency response situation was excessive.

**220. UNDP agreed with the Board's recommendation that it establish benchmarks for procurement lead times, for both exigency and normal situations, so that it could measure and assess the effectiveness and efficiency of its procurement processes.**

*Human resource management*

221. Table II.14 sets out the number, categories and origin of staff deployed by UNDP in Indonesia in response to the Indian Ocean tsunami recovery process.

Table II.14  
**Staff assigned to the Indian Ocean tsunami recovery process within the first two weeks of January 2005**

<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	<b>22</b>
Bureau for Crisis Prevention and Recovery	2	0	0	2	<b>4</b>
United Nations Volunteers	8	1	1	1	<b>11</b>
Other UNDP country offices	1	0	0	1	<b>2</b>
Consultants	2	1	0	2	<b>5</b>
<b>Total</b>	<b>19</b>	<b>3</b>	<b>6</b>	<b>16</b>	<b>44</b>

*Identification of staff for deployment in the recovery process*

222. A general problem existed in obtaining staff for deployment to disaster-affected areas to assist in the recovery process. Despite this, UNDP had successfully deployed staff to such areas within the first two weeks after the disaster struck. UNDP did not have a formalized database of staff experienced in the management of humanitarian disasters to serve as a tool in identifying staff for urgent deployment in complex disasters such as the Indian Ocean tsunami of 2004.

223. UNDP informed the Board that in early 2006, the Bureau for Crisis Prevention and Recovery recruited a “roster manager” to review and develop a roster of experts to meet the challenges identified that would require support from the Office for the Coordination of Humanitarian Affairs. The international community, through the International Recovery Platform (chaired by UNDP) planned to develop a roster of experts with very specific technical skills relevant to recovery operations.

**224. UNDP agreed with the Board’s recommendation that, in consultation with its country offices and other United Nations agencies, it develop a database of recovery and disaster-reduction experts within UNDP that could be deployed to the field within a short period to assist in complex emergencies and humanitarian crises.**

*Staff wellness*

225. UNDP Indonesia’s role in response to the tsunami would continue beyond that of emergency agencies, given its role in long-term recovery, transition and development. It was clear that the Indonesia country office staff had worked beyond their normal terms of reference in response to the disaster and would be required to continue those efforts. The Critical Incident Stress Management Unit had been established, which had undertaken a psychosocial needs assessment, set up a stress management programme in Jakarta and Aceh, provided both individual and group stress counselling, set up a staff welfare centre in Banda Aceh and a stress management office in Jakarta, and prepared stress-management training and resilience-building workshops for United Nations agencies.

### *Staff training*

226. An informal change in job descriptions occurred among staff at the country office due to the additional workload brought about by the disaster. Some of the emergency personnel deployed were not fully aware of UNDP operational requirements and guidelines. Also, sufficient time was not available to provide training to staff, given the urgency with which staff were required to become involved in the recovery operations. This created the risk that operations undertaken by such staff may not have been in accordance with UNDP regulations, rules, policies and guidelines.

**227. UNDP agreed with the Board's recommendation that it establish procedures to be followed to provide staff who are deployed at short notice in post-disaster situations with appropriate training on UNDP key regulations, rules, policies and guidelines.**

### *Database of lessons learned*

228. A number of lessons learned exercises had been undertaken at various levels, including the Government of Indonesia, United Nations entities, UNDP headquarters and the country level. During May and June 2005, UNDP participated in lessons learned exercises led by the Office for the Coordination of Humanitarian Affairs. As a member of the Tsunami Evaluation Coalition, UNDP contributed to sector-wide evaluations in five thematic areas. The coalition's initial findings were released in December 2005 and the final reports would be available in mid-2006. Under the auspices of the International Recovery Platform (chaired by UNDP), a comprehensive systematization of lessons learned in recovery efforts would be finalized in the coming months. These lessons would be a valuable contribution to the recovery efforts of the United Nations and UNDP in Indonesia and beyond.

229. While databases of lessons learned were already being maintained by various stakeholders at the national and international levels, meaningful institutionalization of lessons, in order for them to be considered "learned", requires such lessons to be reflected in new practices, partnerships and strengthened capacities. Several measures were already in place or were being put in place to "learn" these lessons in institutional terms, and other measures were actively under discussion with stakeholders, partners and within UNDP.

230. UNDP informed the Board that the regional programme objectives included facilitation of the sharing of lessons learned among the tsunami-affected countries. Starting in June 2006, the regional programme through a team led by a senior consultant would support a review of "in-house recovery coordination" from the perspective of the UNDP country offices for the tsunami-affected countries, including Indonesia. This study was likely to identify relevant country-specific and comparative lessons and could contribute to the lessons learned database to further enhance and streamline United Nations country team response to future disasters/emergency relief.

**231. UNDP agreed with the Board's recommendation that, in consultation with the United Nations country teams in tsunami-affected countries and the Governments of those countries, it**



**compile a consolidated database of lessons learned from the response to the tsunami disaster that could be used to further streamline the United Nations response to future disasters and emergency relief efforts.**

*Common premises and services*

232. A number of new United Nations field offices had been established in tsunami-affected areas such as Aceh and Nias. Numerous United Nations agencies had a presence in these areas in response to the tsunami recovery project. These agencies included the Office of the United Nations Recovery Coordinator for Aceh and Nias (UNORC), UNFPA, UNICEF, UNOPS and WFP.

233. Although there were numerous agencies present in the aforementioned areas, no action had been taken to make use of this unique opportunity to establish common premises with the other United Nations agencies present in these areas or, furthermore, to identify potential common services, which would ultimately result in reduced overhead costs for all agencies.

234. The occurrence of the tsunami and the presence of numerous United Nations agencies in tsunami-affected areas such as Aceh and Nias provided an ideal opportunity to implement in practice the Secretary General's United Nations reform programme and in so doing increase efficiency and effectiveness and facilitate inter-agency coordination.

**235. UNDP Indonesia agreed with the Board's recommendation that, in consultation with the United Nations country team, it evaluate the feasibility of agencies using common premises and services in the regions where relief and recovery efforts were still ongoing.**

236. UNDP informed the Board that, following the Yogyakarta earthquake, common premise and services had subsequently been established.

*Expenditure tracking system*

237. The Tsunami Flash Appeal was issued by the Office for the Coordination of Humanitarian Affairs (OCHA) on 6 January 2005, on behalf of 42 United Nations and non-United Nations organizations. An online expenditure tracking system (ETS) was set up by OCHA Geneva to track the amounts pledged, committed and spent in relation to the initial appeal. Similarly, UNDP financed the setting-up of the Development Assistance Databases in Sri Lanka, Thailand and Maldives with a wider scope and more detailed focus on project management. The Recovery Aceh Nias Database (RAND) had also been developed for the same purpose by the Government of Indonesia.

238. The expenditure relating to the emergency response and transitional recovery programme undertaken by the UNDP Indonesia country office in response to the 2004 Indian Ocean tsunami in Banda Aceh did not reconcile with the OCHA ETS or to the RAND system owned by the Aceh-Nias Rehabilitation and Reconstruction Agency (BRR) in Indonesia as at 31 December 2005.

239. The Board noted that in respect of the inaccuracies reported in the OCHA ETS, UNDP Indonesia had consistently provided financial expenditure reports to the OCHA Indonesia country office and/or the ETS focal points on the following dates subsequent to the last update in the ETS system in May 2005: 17 July 2005, 28 October 2005, 11 November 2005, 28 November 2005 and 24 December 2005.

240. UNDP Indonesia had communicated the non-updating of the OCHA ETS to OCHA Indonesia during 2005. These parties agreed that the financial expenditure reports would be provided by UNDP Indonesia to OCHA Indonesia to be forwarded to Geneva for the ETS in order to streamline financial reporting processes. The Board noted discussions between the UNDP and OCHA Indonesia country offices on this issue in March 2006 and it had again been confirmed that the UNDP Indonesia country office would report to OCHA locally. OCHA, Jakarta would relay on this information for the ETS.

**241. UNDP Indonesia agreed with the Board's recommendation that it provide the OCHA Indonesia office with the financial expenditure reports to facilitate a streamlined process of financial reporting by OCHA Geneva.**

242. Processes had been initiated to reconcile the expenditure reported through Atlas to the expenditure reported through the RAND system. This process had not been fully completed as of February 2006 owing to challenges that had affected this reconciliation. BRR, which owned this system in Indonesia, had made significant adjustments and adaptations to the core RAND system that had affected the manner in which the system could be reconciled with Atlas.

243. The RAND records activities carried out at the field level by implementing agents. This had been done by BRR to reflect actual activities down to the subdistrict or village level and to facilitate BRR in monitoring activities at this level. This level of reporting in RAND corresponded to the level of purchase orders for delivery of goods or services in Atlas. Communication had been initiated between BRR, the UNDP Regional Centre and the UNDP Indonesia country office on the best manner to address the aforementioned challenges and a series of measures had been agreed upon to facilitate the timely completion of this reconciliation. UNDP Indonesia informed the Board that RAND would fully reflect UNDP-supported project activities by mid-2006.

**244. UNDP Indonesia agreed with the Board's recommendation that it continue the support provided to the Aceh-Nias Rehabilitation and Reconstruction Agency in facilitating the timely reconciliation of the Atlas emergency response and transitional recovery expenditure with the expenditure reported in the Recovery Aceh Nias Database (RAND).**

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

[...]

### **Evaluation**

245. With the tsunami, UNHCR participated in an operation that was not in its refugee protection-related mandate. UNHCR responded to a major natural disaster and to the Secretary-General's request that all United Nations organizations participate. After the emergency, with the large amounts requested through the flash appeal, UNHCR found itself with funds to use not directly linked to its mandate. Despite this unusual situation, no specific UNHCR evaluation has been conducted in order to apply lessons learned to the future involvement of UNHCR in relief operations arising from natural disasters.

**246. The Board recommends that UNHCR conduct an evaluation of its tsunami operations in order to apply lessons learned to future operations concerning natural disasters.**

### **Contributions received**

247. As shown in table 14, UNHCR received more than \$59 million for tsunami relief operations. Contributions in kind received for the tsunami were not, however, monitored properly to give the full amount of resources available for UNHCR operations. In Sri Lanka, contributions in kind were valued at \$0.6 million, but there was no documentation of the valuation. In Indonesia, it was only after the Board's audit that UNHCR reported in its financial statements on what it considered the main contribution in kind received for relief operations in Indonesia: \$3.3 million received from the Government of Switzerland. Other contributions in kind received in Indonesia have not been valued and reported in the financial statements, such as the use of military means provided by the Governments of Indonesia and the United States, transport provided by private companies or clearing services.

Table 12

### **Contributions received by UNHCR for its tsunami-related operations**

(United States dollars)

	<i>Total</i>	<i>Regional<sup>a</sup></i>	<i>Indonesia</i>	<i>Sri Lanka</i>	<i>Somalia</i>
<b>Contributions</b>					
Australia	774 593			774 593	
Canada	2 432 575	1 612 903	606 557	213 115	
Denmark	1 824 818			1 824 818	
European Commission	3 668 630			3 668 630	
Germany	6 209 150		4 575 163	1 633 987	
Greece	3 823 174		3 823 174		
Ireland	678 426	678 426			

	<i>Total</i>	<i>Regional<sup>a</sup></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 <sup>b</sup>	153 579	153 579			
Switzerland	515 987				515 987
United Kingdom	818 823		766 284	52 539	
Private donors	12 361 254	2 610 486	6 156 073	3 475 594	119 101
<b>Total</b>	<b>59 218 401</b>	<b>13 393 533</b>	<b>29 427 251</b>	<b>15 497 276</b>	<b>900 341</b>

<sup>a</sup> Regional funds can be used in any of the three countries.

<sup>b</sup> Contributions from Spanish autonomous communities and other public administrations channelled through España con ACNUR.

### Expenditures

248. The Board noted that the above-mentioned income exceeded the expenditure on tsunami-related operations for 2005. In Indonesia, the rate of expenditure was quite low as at 31 January 2006: 46 per cent of the budgeted expenditure had been spent, with only 51 per cent of it spent on tsunami relief operations. In Sri Lanka, as at 31 December 2005, out of the \$15.5 million received for the tsunami relief operations, \$9.5 million had been spent, 61 per cent of the contributions received.

Table 13  
**Contributions and expenditures received by UNHCR for its tsunami-related operations**

(millions of United States dollars)

	<i>Contributions received</i>	<i>Needs assessment</i>	<i>Expenditures</i>	<i>Expenditures/contributions</i>
Total UNHCR	59.2	60	34	57%
Indonesia	29.4	42	19.3	66%
Sri Lanka	15.5	15.3	9.5	61%

249. In both Sri Lanka and Indonesia, the Board noted delays in the implementation of the programmes that followed the emergency phase and which had justified the amounts requested in the flash appeal.

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 4,400 shelters in Ampara and Jaffna districts, through its implementing partners. By May 2005, only 252 (or 6 per cent of the total planned) had been erected. However, the objective was met at the end of 2005.

251. In Indonesia, the post-emergency programme, prepared after UNHCR was authorized to work again in Banda Aceh, scheduled the construction of 1,144 houses, to be finished and handed over to the beneficiaries before mid-May 2006. At the time of the Board's visit, as at 31 January 2006, no house had yet been built and only 20 per cent of the plots had been marked. UNHCR indicated that by mid-June 2006, 843 house sites had been plotted, 494 houses were at different stages of construction, 94 houses had been handed over to beneficiaries and an additional 23 houses were in the final stages of completion.

252. In both cases, these delays were explained by legal (identification of owners and beneficiaries, changes in land management policy), environmental (lack of raw materials and workforce) and insufficient in-house expertise. The Board noted also that building houses after a natural disaster was not part of the core mandate of UNHCR and therefore the organization did not have the relevant skills immediately available in-house to conduct such programmes.

253. Given the low rate of implementation, the proportion of administrative costs (not including the support costs in the project expenditures) was high. In Indonesia, 36 per cent of the funds disbursed were for administrative purposes. Overall, when committed funds were included, administrative costs represented 13 per cent of project costs. The pace of implementation and the high administrative costs in 2005 due to the delays in implementation of the project, for which most funds were committed, could be a matter of concern for donors.

**254. The Board recommends that UNHCR take appropriate measures to spend in line with the relevant assessments.**

#### **Contingency planning**

255. While recognizing that responding to emergencies occasioned by natural disasters is not the primary responsibility of UNHCR and that the tsunami disaster cannot be seen as a typical emergency for UNHCR, the Board reviewed preparatory measures and procedures applied by UNHCR in Sri Lanka and in Indonesia for facing emergency situations.

256. The Board noted that the 2003 contingency plan drafted by UNHCR, Sri Lanka addressing politically related scenarios had not been formally endorsed and disseminated to UNHCR staff, and had not been updated until early 2006, when continuous degradation of the security situation in Northern and Eastern Sri Lanka raised fears of a return to civil war and subsequent mass movements of internally displaced persons.

257. In December 2002, UNHCR, Indonesia finalized an emergency preparedness project under the supervision of the Association of Southeast Asian Nations (ASEAN) Committee on Disaster Management to promote closer coordination on emergency-preparedness and response. This programme included emergency management training and contingency planning workshops in Indonesia, Malaysia, the Philippines and Timor-Leste. Twenty-two training workshops, including two regional ones, in Manila in August 2003 and Brunei Darussalam in December 2003, were organized for more than 500 official participants.

258. The Board, however, did not find evidence that these training programmes and workshops have been of specific use for the tsunami recovery management. UNHCR staff in Sri Lanka have not benefited from any training on emergency preparedness and response since 1 January 2003.

**259. The Board recommends that UNHCR maintain updated contingency plans and ensure their effectiveness for the performance of its mandate.**

#### **Needs assessment**

260. The Board observed that the funding requirements in the flash appeal were not supported by an accurate assessment of needs. In Indonesia, the funding requirements went from \$1.8 million to \$60 million between 28 December 2004 and 6 January 2005, when the United Nations launched the Flash Appeal for the Indian Ocean Earthquake-Tsunami, 2005. In Sri Lanka, UNHCR estimated by the end of December 2004 that its participation in tsunami relief efforts during the first three to six months, for the provision of non-food relief items and shelter material to 25,000 families (approximately 100,000 individuals), would require \$7.9 million. On 6 January 2005, UNHCR requirements for Sri Lanka had almost doubled and reached \$15.3 million.

261. While acknowledging the difficulties faced by all agencies involved in assessing clearly and expeditiously the scale of the disaster and the actual needs to be covered during the relief operations, the Board notes also that it was not provided during its audits with detailed budgets regarding the use of funds requested. Except for a few indications on the justifications for the amounts required, there was no comprehensive view of the total needs assessed, on the basis of which quantities to be delivered by UNHCR were decided upon.

**262. The Board recommends that UNHCR draw lessons from the tsunami emergency in respect of needs assessment and funding requirements.**

263. UNHCR explained that the magnitude of the disaster, the level of devastation and chaos, changed government priorities, and lack of basic information on affected communities had all been contributing factors to why funding requirements could not be based on proper assessments. In addition, when the flash appeal was first issued, appealing agencies were neither aware nor able to assess the level of private-sector funds that were pouring into affected areas, channelled

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 Secretary-General on 6 January, and given that the tsunami had destroyed the roads and bridges down the west coast and that UNHCR was unable to gain access to a helicopter for an aerial needs assessment until 7 January, there was no way a detailed needs assessment could be undertaken before the flash appeal. The needs in the flash appeal were based on the inter-agency needs assessment on 31 December 2004 and on assessment reports gathered from other agencies.

### **Emergency deployment**

265. During the emergency phase, UNHCR delivered promptly non-food relief items to tsunami victims, within the limits of stocks available. The Board noted, however, some areas of improvement in stock management.

266. In Indonesia, although UNHCR was not the first on site, owing to the harsh conditions of road and the non-availability of air transportation, it was at work as of 1 January 2005. The Board noted that vehicles in stock were not appropriate (left-hand drive vehicles).

267. UNHCR managed to deploy additional staff to the affected areas. Staff mobilization was, however, quite protracted. For instance, in Sri Lanka, the maximum resources were deployed in May and June 2005 although the emergency phase was already over.

268. In addition, the Board noted that the qualifications of staff were not always in line with the needs. In Indonesia, for example, the terms of reference for the head of field office/team leader in one sub-office mentioned as a required skill “programme experience, particularly in the shelter rebuilding area”. The staff member eventually appointed had outstanding experience in security questions, but had never before monitored a rebuilding activity, especially of houses.

**269. The Board recommends that UNHCR review tsunami lessons learned to enhance its procedures for emergency deployments.**

270. UNHCR indicated that standby agreements with operational partners were one of the strategies explored by UNHCR for increasing its response capacity.

### **Stock management**

271. In Sri Lanka, to respond to unsubstantiated requests, UNHCR bought tents and sarongs in excess of needs. Although beyond the responsibility of UNHCR,<sup>9</sup> these purchases led to the waste of \$1.3

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<sup>9</sup> Buying in excess of needs was the result of a governmental requirement and UNHCR was not responsible for that.

million of tsunami funds (or more than 10 per cent of tsunami-related funds in Sri Lanka) to the detriment of the tsunami victims.

272. In Indonesia, the Board noted important stocks still awaiting use: 18,074 items valued at \$321,250 procured three to five months prior to the Board's visit had not been utilized; neither had two containers of telecommunications equipment (one complete satellite system, five mini-sat telephones, 28 battery chargers, 18 repeaters, 11 inverters) stored in the warehouse since October 2005. Not putting them to immediate use was not a prudent way of managing valuable resources, not to mention the risks associated with long storage.

**273. The Board recommends that UNHCR improve its needs assessments for non-food supplies in order to minimize the stocks in the warehouse, optimize the use of the non-food supplies and redeploy unused stocks.**

274. UNHCR reported it was looking into ways to improve its contingency planning, stock pre-positioning and stockpiling in order to improve the quality and timing of the UNHCR response and to manage resources better.

#### **Relations with the military**

275. UNHCR used military means in the emergency phase. Most notably in Indonesia, UNHCR used Swiss helicopters but also United States army vehicles or Indonesian army vehicles. The Board noted that there was a lack of agreement between the United Nations and military forces, apart from a memorandum of understanding between UNHCR and the Swiss army.

276. UNHCR was guided by a reference paper on "Civil-military relationship in complex emergencies" endorsed by the Inter-Agency Standing Committee Working Group in June 2004, as well as the "Guidelines on the use of military and civil defence assets to support United Nations humanitarian activities in complex emergencies" of March 2003. UNHCR was in the process of reviewing existing standby agreements to increase its response and intervention capacity.

**277. The Board recommends that UNHCR, together with other United Nations agencies, consider concluding advance agreements with military forces in order to improve coordination in emergency phases.**



## **B – The Auditor General of India**

## ***United Nations Food and Agriculture Organization (FAO)***

### **Presentation of the approach followed by the external auditor**

278. The external auditor did not undertake the audit of tsunami, in keeping with the accepted practice of generally not duplicating the work of internal audit. In the case of tsunami, it would have also led, inter alia, to conducting the external audit almost simultaneously with internal audit.

### **Tsunami related income and expenditure**

279. By the end of 2005, the United Nations food and agriculture organization (FAO) had received \$59.9 million for tsunami related activities. It had budgeted expenditures of \$38.9 million in 2005 and \$20.1 million in 2006-2007. As at 31 December 2005, FAO had spent \$26.6 million, which represented 68.5 per cent of its 2005 budget or 45.2 per cent of its total tsunami budget.

### **Summary of internal audit tsunami related activities<sup>10</sup>**

[...]

280. “The Inspector General participated in the ADGs’ weekly meetings on the Tsunami emergency. The Office also participated in lower level meetings and several working groups set up to provide support and advice to management on (i) a pro-bono offer from PriceWaterhouse Coopers to support enhanced accountability and transparency of tsunami aid, and (ii) evaluation of proposed modalities for tsunami emergency activities. The Office completed a preliminary risk assessment in order to identify audit needs and timings, and as a result fielded missions to Indonesia, Sri Lanka and the Maldives to assess overall management of FAO’s tsunami projects and identify areas for future audit attention. These countries account for some 90% of the total expenditure incurred on tsunami operations at the time the reviews were started. In addition, the Office reviewed the adequacy of financial and administrative controls over tsunami operations in HQ. [...]”

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<sup>10</sup> 2005 Annual Activity Report of the Office of the Inspector General - 13th session - Rome, 8-12 may 2006. FC/113/7, para 25.

## ***World Health Organization (WHO)***

### **Presentation of the approach followed by the external auditor**

281. The external auditor placed reliance on the work of internal audit, whose main conclusions are reproduced below. The external auditor also reviewed the tsunami operation as part of its audit of the South East Asian regional office of WHO, carried out in October 2005, but did not identify any finding that needed to be incorporated into its audit report.

### **Tsunami related income and expenditure**

282. WHO received \$72.6 million for the tsunami, of which \$48.2 million (66.4 per cent) had been spent by 31 December 2005.

### **Summary of internal audit findings<sup>11</sup>**

[...]

283. “The audit concentrated on confirming reasonableness of expenditure and reviewing programme accountability. In general, expenditures incurred for tsunami activities, for the donors selected for review, were reasonably within the range of the purpose for which the donation was designated. In Indonesia, good progress has been made towards achievement of results as outlined in the plan of work, and most activities have been completed. However, results achieved under the disease surveillance project, relating to assessments, cannot be correlated directly with the proposals, and therefore its relevance is not assured. Dedicated follow-up is required on the Restoration of Water and Sanitation Systems in the Disaster-Affected Area Project, where significant components of both its products remain outstanding. In the case of Sri Lanka, given the overall success of health efforts and satisfactory health indicators after the tsunami, the audit disclosed that the stated aims of the Flash Appeal for health had been achieved. However, deficiencies were found in respect of late provision of equipment, perceived inadequate quality of some experts provided by WHO, and the missed opportunity of strengthening the public-health laboratory network.”

[...]

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<sup>11</sup> Report of the internal auditor 59th World Health Assembly, A59/32 para 23.

**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 Division<sup>12</sup>.

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:

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<sup>12</sup> 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;
- c / Examine stock, inventory, cash and bank procedures;
- d / Consider management oversight arrangements; and
- e / Form a view on the adequacy of control procedures applied by WFP.

291. My staff concluded that WFP’s response to the Tsunami disaster was adequately managed. Operations were effected quickly and significant levels of food were organised and delivered promptly. The operation appeared to have been adequately coordinated at Headquarters, at the Thailand Regional Office and within affected areas, where WFP co-ordinated activities with key partners, various government departments and other humanitarian agencies as part of the global response to the disaster.

292. To retrospectively assess the effectiveness of internal controls in any emergency situation presents difficulties, particularly in the verification of the existence and effectiveness of those controls during the initial emergency phase, when the first priority is to save lives. Inevitably in such circumstances, issues such as internal control, segregation of duties, procurement procedures, adequate documentation and certification processes may have to be managed in the context of the need to expedite the humanitarian response in circumstances where lives are at risk.

293. My staff’s review of the control environment for the Tsunami activities identified control weaknesses at various times throughout the operation. Controls were weakest at the initial phases in the affected field office locations although, as the operation evolved, internal controls were put in place or improved. My staff also found some internal control weaknesses at a country office level, where WFP were operating prior to the Tsunami occurring and where a more established and stable internal control framework might be expected.

294. Control weaknesses identified included lack of security and delayed compliance with Minimum Operating Security Standards in the early stages of WFP’s response; late or poorly supported information monitoring, for example of beneficiary numbers; incomplete recording of food losses; incomplete inventory control; and poor quality record keeping.

295. Notwithstanding the extremely challenging circumstances of emergency operations, with which much of WFP’s worldwide activity has to contend on a daily basis, any deficiencies in the internal control environment can give rise to an increased risk of inappropriate use of

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 Sixty-first session - Supplément No. 5 (A/61/5) Financial reports and audited financial statements, and report of the Board of Auditors
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Office of the United Nations High Commissioner for Refugees	United Nations Board of Auditors	General Assembly - Official records Sixty-first session - Supplément No. 5E (A/61/5/Add.5) Financial reports and audited financial statements, and report of the Board of Auditors
United Nations Programme Development	United Nations Board of Auditors	General Assembly - Official records Sixty-first session - Supplément No. 5A (A/61/5/Add.1) Financial reports and audited financial statements, and report of the Board of Auditors
Food and agricultural Organization of the United Nations	Auditor-General of India	2005 Annual Activity Report of the Office of the Inspector General - 113th session - Rome, 8-12 may 2006 Finance Committee - Reference: FC/113/7
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World Food Programme	Comptroller and Auditor-General of the United Kingdom	Audited biennial accounts (2004-2005): Section III WFP/EB.A/2006/6-A/1/3