



OFFICE OF INTERNAL OVERSIGHT SERVICES
INTERNAL AUDIT DIVISION I

Reference: AUD-7-1:24 (00216/06)

19 April 2006

To: Mr. Jan Egeland, Under-Secretary-General
Emergency Relief Coordinator
Office for the Coordination of Humanitarian Affairs

Mr. Warren Sach, Assistant Secretary-General
Controller
Office of Programme Planning, Budget & Accounts

From: Dagfinn Knutsen, Acting Director
Internal Audit Division I
Office of Internal Oversight Services

A handwritten signature in blue ink, appearing to read 'Dagfinn Knutsen', is written over the printed name and title.

Subject: **OIOS Final Audit Report No. AN/2005/590/09—Central Emergency Revolving Fund, OCHA**

1. I am pleased to present herewith the final report on the subject audit, which was conducted from 20 October to 25 November 2005.
2. Based on our review of the comments, we have closed recommendations 3 and 5 considering them as having been implemented. We provided in the Annex C a list of the recommendations that remain open in OIOS's database and the actions that should be taken in order for us to close them.
3. Please note that OIOS will report on the progress made in implementing the recommendations in its annual report to the General Assembly and semi-annual reports to the Secretary-General.
4. The Internal Audit Division is assessing the overall quality of its audit process, and kindly requests that you consult with your managers who dealt directly with the auditors and complete the attached client satisfaction survey.
5. I would like to take this opportunity to thank you and your staff for the assistance and cooperation extended to the audit team on this assignment

Copy to: Mr. Christopher Burnham, USG, Department of Management
Board of Auditors
OIOS Programme Officer



United Nations
OFFICE OF INTERNAL OVERSIGHT SERVICES
Internal Audit Division I

AUDIT REPORT

Audit Subject: Central Emergency Revolving Fund, OCHA
Assignment No.: AN2005/590/09

Report date: 19 April 2006

Audit team:

Auditor-in-Charge: Anjana Das
Associate Auditor: Julie Geringer
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Executive Summary

OIOS conducted an audit of the Central Emergency Revolving Fund (CERF) at the Office for the Coordination of Humanitarian Affairs (OCHA), New York during the period 20 October to 25 November, 2005. In general, the auditors found that advances from the CERF had been disbursed in accordance with provisions envisaged in ST/SGB/251 of 22 July 1992 and repayments had also been regularly received from the agencies. The auditors, however, identified the following areas for improvement.

ST/SGB/251 delegates the CERF spending authority to the Emergency Relief Coordinator (ERC). However, the ERC routes his approval to the Controller whose additional approval is taken before action is initiated in the Accounts Division and Treasury to disburse the advance. In OIOS' opinion, the delegation of "spending authority" is not clear. The ST/SGB/251 should be amended to clarify the specific authority vested in the ERC and the Controller for purposes of approval of these advances.

The total time from request to disbursement took an average of 15.8 days and ranged from 3-45 days. Time taken by OCHA aggregated 7.1 days, by the Accounts Division to 4.8 days and transit between OCHA and OPPBA took 2 days in the sampled 9 cases. OIOS finds these timelines too long for emergency situations and recommends shortening them.

A total amount of \$2.1 million which included amounts advanced to FAO for projects in the DRC and Burundi and repaid by FAO had been omitted from Annex II of the financial statements for the CERF. Although this omission did not affect the closing balance, the activity for 2004 shown in the Annex II was understated.

Of the five case files reviewed for waiver of repayment, only one case had the actual authorization for waiver. The interpretation of ST/SGB/251 with respect to the delegation of powers had not been clarified between the ERC and the Controller. This is important for designating the competent authority's approval and also will ensure the smooth process for the waiver authorization.

For the management of an enlarged CERF with a 90 per cent grant component, OIOS considers the audit arrangements as formulated in the report to the General Assembly (A/60/432) inadequate because there is no obligation to share the results of the audits with OCHA. Therefore, OCHA, the donors and the public do not have an assessment of the utilization of funds loaned or granted by the CERF.

Concerns of agencies that need to be addressed in the preparation of guidelines for the new CERF are: establishment of a clear criteria for eligibility for loans or grants from the CERF; establishment of a clear reporting mechanism and monitoring and evaluation criteria; introduction of procedures to reduce the timing for the approval and disbursement of the CERF moneys; clarification of the roles of the IASC, the ERC and

the Advisory Board and strengthening of OCHA's role and strategy in replenishment of the new CERF.

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1. INTRODUCTION

1. OIOS conducted an audit of the Central Emergency Revolving Fund (CERF) at the Office for the Coordination of Humanitarian Affairs (OCHA), New York from 20 October to 25 November, 2005. The CERF was established by the Secretary-General in accordance with General Assembly resolution 46/182 as a cash-flow mechanism to ensure the rapid and coordinated response of the organizations of the United Nations system to requests for emergency assistance.

2. The CERF is managed by the Under-Secretary-General for Humanitarian Affairs/Emergency Relief Coordinator (ERC). It had a target level of \$50 million to be financed by voluntary contributions. Since its inception in 1992, disbursements from the CERF totalled \$337.4 million in advances of which \$313.3 million have been reimbursed. CERF had a balance of \$41.8 million as at 30 June 2005. In accordance with General Assembly resolution 56/107, utilization of the CERF includes humanitarian assistance for natural disasters, humanitarian assistance for new requirements in protracted emergencies and emergency staff safety arrangements for United Nations and associated personnel.

II. AUDIT OBJECTIVES, METHODOLOGY AND SCOPE

3. The objectives of the audit were to assess: (a) the efficiency and effectiveness in the utilization of funds from the CERF; and (b) the adequacy of internal controls over the use of its resources.

4. The audit was conducted in accordance with the general and specific standards for the professional practice of internal auditing in the United Nations' Organizations. The audit covered the period from 2003-2005. The team reviewed documents and conducted interviews with staff from OCHA and OPPBA in New York. They also elicited the views of some of the Agencies who were using the fund. The findings were discussed with the management of OCHA and OPPBA. The draft audit report was made available to OCHA and OPPBA on 13 January 2006 and IAD I received their comments on 6 February and 3 February 2006 respectively. The essence of the comments is indicated in the present report in *italics*.

III. AUDIT FINDINGS AND RECOMMENDATIONS

A. Overall opinion

5. In general, the auditors found that advances from the CERF had been disbursed in accordance with provisions envisaged in ST/SGB/251 of 22 July 1992 and repayments had been regularly received from the agencies. The opening balance of the fund had been maintained at \$65 to \$66 million, including interest, in the period 2003-2005. The auditors, however, identified some areas for improvement which are discussed in the ensuing paragraphs.

B. Processing of case files for advances

Time taken for approval and disbursement of advances

6. OIOS reviewed 9 case files out of a total of 32 advances approved and disbursed from the CERF in the period 2003-2005 (Annex A). These 9 advances were selected from the Consolidated Advances and Reimbursements Schedules as of 31 December 2003/2004 and as of 30 June 2005. Three selections were made from each year based on the advance amount. In these 9 cases, the time taken from the date of the request to the date of disbursement ranged from 3 to 45 days and the average time taken for each case was 15.8 days.

7. The analysis below indicates the range and average time taken at different stages in the process of granting the CERF approvals.

	OCHA	Transit between OCHA and OPPBA	Accounts Division	Treasury	Total
Range	0-37	0-7	1-10	1-4	3-45
Average	7.1	2	4.8	1.9	15.8

8. Advance requests are initially received by the Office of the Emergency Relief Coordinator (ERC). They are then forwarded to an appropriate desk officer for review. The desk officers evaluate the requests based on certain criteria and determine whether or not the advance should be supported. The advance request is forwarded to the Executive Office for their verification of documentation and for specifying the amount of the funds to be made available. This is then submitted to the ERC for his approval. The auditor's found that there were no timelines for each of the stages of the procedure in the guidelines for processing the requests in OCHA.

9. ST/SGB/251 delegates the CERF spending authority to the ERC. However, the ERC routes his approval to the Controller whose additional approval is taken before action is initiated in the Accounts Division and Treasury to disburse the advance. In OIOS' opinion, the delegation of "spending authority" is not clear. The ST/SGB/251 should be amended to clarify the specific authority vested in the ERC and Controller for purposes of approval of these advances. Also, the maximum time for processing advances in the offices of the ERC, the Controller, Accounts Division and Treasury should be specified. The ERC's office should then monitor the progress of each request from the date it is received by the ERC. OCHA informed OIOS that they walked all the cases over to the Controller's office. However, OIOS' review indicated that OPPBA's first stamp on the documents was delayed up to 7 days after the ERC's approval.

10. In view of the emergency nature of the loan, the auditors' consider that the period for the approval of the loan and its actual disbursement could be reduced to not more than 2 days. OCHA should, in consultation with OPPBA, determine how the process can be

effectively speeded up. There are a number of opportunities to shorten the time of processing. However, first the delegation of authority between the Controller and the ERC should be clarified.

Recommendations 1-4

OIOS recommended that:

(i) The ST/SGB/251 should be amended to clarify the specific authority vested in the ERC and the Controller for approval of the CERF advances (AN/2005/590/09/01);

(ii) OCHA should include short timelines in its procedures for processing the CERF advances (AN/2005/590/09/02);

(iii) The ERC's office should monitor the progress of each request from the date it is received in OCHA (AN/2005/590/09/03); and

(iv) The time taken in transit between OCHA and OPPBA should be reduced in consultation between the two offices (AN/2005/590/09/04).

11. OPPBA agreed with Recommendation 1 indicating that *the ST/SGB/251 is currently being updated pursuant to General Assembly resolution 60/124*. OIOS will keep this recommendation open in its database pending receipt and review of the updated ST/SGB.

12. OCHA agreed with Recommendation 2 and *reaffirmed its commitment to processing CERF advances in the shortest time possible. However, some time is required by the Coordination and Response Division (CRD) to allow for consultation with partners before recommending approval of advances*. OCHA suggested a *timeline of three working days between receipt of the request and the CRD desk officer providing recommendation for advance to the Executive Office (EO)*. Also, they suggested a *timeline of one working day for the EO and ERC review, approval and forwarding of the request to the Controller's Office*. OIOS will keep this recommendation open in its database pending receipt of supporting documents which indicate that this timeline has been formally established.

13. OCHA partially agreed with Recommendation 3 indicating that *they would like to clarify that the EO, rather than the ERC's Office, has always monitored the progress of each request from the date it is received in OCHA until the actual transfer of funds into the agency's bank account*. In view of OCHA's response, OIOS has closed this recommendation in its database considering it as implemented.

14. OPPBA agreed with Recommendation 4 indicating that *the matter was being addressed in the context of the revision of ST/SGB/251*. However, OPPBA commented that *column 9 in Annex A has been inappropriately calculated by including weekends and holidays*. It is OIOS' opinion that as disbursement of funds from CERF is of an emergency nature, it is appropriate to expect that the process will not be delayed by a weekend or a holiday. OCHA also agreed with Recommendation 4 indicating that *OCHA will consult with the other parties involved to determine how and where the time savings can be achieved in CERF advance processing*. OIOS will keep this recommendation open in its database pending receipt of supporting documents indicating that changes have been made to reduce the processing time.

Completeness of files

15. In the auditors' opinion, a file for an advance which has been approved and disbursed should include: a) Proposal for the loan from the agency; b) Approval of the ERC; c) Letter of Understanding (LOU) between OCHA and the recipient agency; and c) the bi-annual financial status reports from the agency to OCHA during the loan period. While the documents under a) and b) were present in the reviewed files, only three files had financial status reports. Reminder memos were sent to the agency by OCHA in 4 out of the remaining 6 cases, however, they were not sent in a timely fashion (one was sent 4 months after the due date, one close to 1 year and the other two were sent more than 2 years after the due date). For two of the 6 cases, the reminders were not sent at all.

Recommendations 5

OIOS recommended that OCHA should monitor the timely receipt of financial status reports, in accordance with the related LOU. In cases of delays, reminders should be sent immediately (AN/2005/590/09/05).

16. OCHA agreed with Recommendation 5 indicating that *they will closely monitor the receipt of financial status reports*. OIOS has closed this recommendation as implemented.

Standard formats

17. The auditors' found that the proposals received from agencies for CERF loans were not always supported by details of estimated expenditures. In some cases, budgets were attached to the proposals. In others, a lump-sum amount was requested without any details. In OIOS' opinion, OCHA should formulate a standard format for proposals and for financial reports. These should be made available on OCHA's website. This will ensure an easy access by agencies and a more uniform assessment by OCHA of the CERF advances and their utilization.

Recommendation 6

OIOS recommended that OCHA should formulate a standard format for proposals and financial status reports and ensure that these standard forms are used by applicants (AN/2005/590/09/06).

18. OCHA agreed with Recommendation 6 indicating that *using standard formats may help expedite the advance approval process and add to the timely transfer of funds to agencies*. OIOS will keep this recommendation open in its database pending receipt of standard formats that have been developed for proposals and financial status reports.

Documentation

19. In most of the cases, the auditors did not find documentation in the desk officer's files indicating reasons for the recommendation of the advance. Only in one case was there some documentation of the desk officer recommending the advance. According to OCHA's desk officers, the agencies are advanced the CERF funds based on pledges mostly made towards projects contained in the Consolidated Appeals. The projects are developed based on assessed needs agreed upon by the UN country teams under the lead of the humanitarian coordinator. In OIOS' opinion, the guidelines for making advances from the CERF should lay out more specific criteria and desk officers should document whether these criteria have been met while recommending a case for an advance.

Recommendation 7

OIOS recommended that OCHA's desk officers be instructed to document whether the criteria for granting advances have been met while recommending a case for an advance (AN/2005/590/09/07).

20. OCHA agreed with Recommendation 7 indicating that *desk officers should document whether criteria (to be developed by the Coordination and Response Division) for granting advances have been met*. OIOS will keep this recommendation open in its database pending receipt of documentation which includes the approved criteria and a corresponding instruction on its use by the desk officers.

Ceiling and reserve for the advances

21. OCHA had not prescribed any ceiling on individual advances nor had it prescribed a level of reserve to be maintained in the fund. In OIOS' opinion, in accordance with sound financial principles, it would be advisable for OCHA to prescribe a ceiling for individual advances and also prescribe a level of reserve to be maintained in the fund. This would ensure the availability of funds and their equitable distribution for different emergencies.

Recommendation 8

OIOS recommended that OCHA should prescribe a ceiling for individual advances and a level of reserve to be maintained in the fund (AN/2005/590/09/08).

22. OCHA partially agreed with Recommendation 8 indicating that *it had established the level of reserve to be maintained in the fund at \$15 million but would prefer to maintain the discretion of the ERC in determining the ceiling for each advance as stipulated in ST/SGB/251, paragraph 8*. OIOS will keep this recommendation open in its database pending receipt of documentation supporting the establishment of the \$15 million reserve level and reviewing the relevant provision of the new ST/SGB or ST/AI.

Financial statements of the CERF

23. In Annex II of the financial statements for the CERF, the Advances Receivable as at 31 December 2004 were not correctly depicted in the columns “Amount Advanced in 2004” and “Amount Reimbursed in 2004.” Both columns had omitted a total amount of \$2.1 million which included amounts advanced to FAO and repaid to OCHA for projects in the DRC and Burundi. Although this omission does not affect the closing balance, the activity for 2004 shown in Annex II is understated. According to the Chief of the Central Accounts Section of the Accounts Division, the two advances have been inadvertently omitted in the two middle columns of the Annex. In OIOS’ opinion, the Accounts Division should reconcile the receivables with OCHA’s administrative office and with its own “Accounts Receivable” report (ACLDGB19) generated from IMIS in preparing the financial statements.

Recommendation 9

OIOS recommended that the Accounts Division should ensure that all advances and repayments in a given year are correctly reported in the financial statements (AN/2005/590/09/09).

24. OPPBA agreed with Recommendation 9 indicating that *this will be implemented for the statements for the 2004 – 2005 biennium*. OIOS will keep this recommendation open in its database pending receipt of a copy of the 2004 – 2005 financial statements to ensure that changes have been made.

C. Waivers of the CERF loan repayments

Waiver authorization

25. In the period since the inception of the CERF, repayment of \$6.6 million has been waived. This constituted 1.9 per cent of the \$337.4 million (total loans) granted to agencies. In the auditors’ opinion, in cases when a waiver has been granted, the case file

should include the authorization of the waiver by the competent authority. However, only one case file out of five had the actual authorization of waiver. Four files had correspondence regarding the waiver between the ERC, the Controller and the Accounts Division but not the final authorization of the waiver.

Recommendation 10

OIOS recommended that all repayment waiver files should include the authorization of the waiver by the competent authority (AN/2005/590/09/10).

26. OPPBA agreed with Recommendation 10. OCHA also agreed with the recommendation indicating that *ST/SGB/251, paragraph 16(a), gives discretion to the ERC to waive repayment and use accumulated interest to repay a CERF advance. However, because execution of the waiver entails write off of an outstanding advance, the UN Financial Regulations and Rules require approval of the Controller.* OIOS will keep this recommendation open in its database pending receipt of documents indicating the appropriate waivers authorization.

Delegation of authority

27. The waiver clause in paragraph 16 (a) of ST/SGB/251 of 22 July 1992 states that the ERC will “initiate measures to restore the balance of the CERF” by “utilizing such balances of the CERF, including accumulated interest as may exceed the target level of \$50 million.” It is not clear whether it is the ERC or the Controller who exercises the authority to “utilize balances.” The last waiver granted on 26 April 2004 was approved by the Controller. In OIOS’ opinion, the ST/SGB/251 needs to be amended to clarify the delegation of authority for granting the waiver between the ERC and the Controller.

Recommendation 11

OIOS recommended that OCHA and OPPBA should initiate that ST/SGB/251 be amended to clarify the delegation of authority for granting the waiver between the ERC and the Controller (AN/2005/590/09/11).

28. OCHA partially agreed with Recommendation 11 indicating that *ST/SGB/251, paragraph 16(a), gives the ERC authority to “utilize such balances of CERF, including accumulated interest, as may exceed the target level of \$50 million” to restore the balance of CERF which would equate to authority to waive payment.* OIOS is of the opinion that the delegation of waiver authority should be clarified in the governing documents. It will keep this recommendation open pending receipt and review of the relevant provisions of the new ST/SGB or ST/AI.

D. New resolution in the General Assembly (A/60/432)

Oversight of the CERF

29. Paragraph 38 of the proposal to the General Assembly (A/60/432) on the new CERF indicated that agencies will have their own audits of individual projects as per their current arrangements with their respective management boards. In OIOS' opinion, for the new CERF with a 90 per cent grant component, this arrangement is inadequate because there is no obligation to share the results of the audits with OCHA. Therefore, OCHA, the donors and the public do not have an assessment of the utilization of funds loaned or granted from the CERF. OIOS feels that with the new CERF, the oversight requirements need to be strengthened and reflected in the regulations that will follow the resolution. All the CERF grants for the amount above \$1 million should oblige the agencies to provide audit certificates from their Boards of Auditors for the CERF funds' utilization within a year of the approval. These audit certificates should be placed on the CERF website for the information of the donors and the public.

Recommendation 12

OIOS recommended that OCHA should ensure that all CERF grants approved for the amount above \$1 million oblige the agencies to provide audit certificates from their Boards of Auditors for CERF funds' utilization (AN/2005/590/09/12).

30. OCHA partially agreed with the recommendation indicating that *there is a need for audited certificates however, considering the likely amount of future grants, it may be more meaningful to set the requirement to \$5 million*. OIOS finds OCHA's suggestion of raising the requirement level from \$1 million to \$5 million reasonable. It will keep this recommendation open in its database pending receipt and review of documentation including the relevant provisions of in the new ST/SGB or ST/AI.

Views of other agencies

31. Five agencies responded to OIOS' questionnaire on the future CERF. A summary of their responses is included in the Annex B in the present report. There were a number of issues in the concept and implementation of the future CERF. In OIOS' opinion, the significant concerns of agencies that need to be addressed are:

- establishment of a clear criteria for eligibility for loans or grants from the CERF;
- establishment of a clear reporting mechanism and monitoring and evaluation criteria;
- introduction of procedures to reduce the timing for the approval and disbursement of the CERF moneys;
- clarification of the roles of the Inter-Agency Standing Committee (IASC), the ERC and the Advisory Board; and

- strengthening of OCHA's role and strategy in replenishment of the new CERF.

Recommendation 13

OIOS recommended that OCHA review the concerns raised by the agencies and address them in the preparation of the documents governing the new CERF operations (AN/2005/590/09/13).

32. OCHA agreed with Recommendation 13 indicating that *consultations will be held with the agencies before the launch of the new CERF where, it is hoped, all such concerns will be addressed and factored into the new CERF documents*. OIOS will keep this recommendation open in its database pending the receipt of the new CERF guidelines showing that the concerns of the agencies have been taken into account.

IV. ACKNOWLEDGEMENT

33. We wish to express our appreciation for the assistance and cooperation extended to the auditors by the management and staff of OCHA and OPPBA.



Dagfinn Knutsen, Acting Director
Internal Audit Division I
Office of Internal Oversight Services

Annex A

Movement of advance proposal through the process until disbursement

	Country/Region of Project- Purpose of Advance 2	Date Request Received by OCHA 3	Date of ERC Approval 4	No of days in OCHA (3/4) 5	Date received in OPPBA 6	No of days in Transit from OCHA- OPPBA (4/6) 7	Date Created in IMIS 8	No of days in Accounts/ Controller's Office (6/8) 9	Date Disbursed in IMIS 10	No of Days in Treasury (8/10) 11	Total No of Days from Date Req/Rec'd (3/10) 12
1	Iraq - Conflict with Iraq	3/3/03	10/3/03	7	12/3/03	2	13/3/03	1	14/3/03	1	11
2	Iraq - Mine action activities	7/4/03	9/4/03	2	10/4/03	1	15/4/03	5	16/4/03	1	9
3	Burundi - Agricultural emergency assistance to rural households	10/11/03	14/11/03	4	17/11/03	3	26/11/03	9	28/11/03	2	18
4	Burundi - Agricultural activities	21/5/04	24/5/04	3	25/5/04	1	4/6/04	10	7/6/04	3	17
5	Sudan - Returning IDPs	21/5/04	28/6/04	37*	30/6/04	2	2/7/04	2	6/7/04	4	45
6	Sahelian - Desert Locust Control	30/9/04	1/10/04	1	1/10/04	0	11/10/04	10	12/10/04	1	12
7	Sudan - Humanitarian Information Centre	9/2/05	15/2/05	6	22/2/05	7	24/2/05	2	25/2/05	1	16
8	Sudan - UNICEF operations	24/2/05	28/2/05	4	1/3/05	1	4/3/05	3	7/3/05	3	11
9	Sudan - Consolidated Appeal	15/3/05	15/3/05	0	16/3/05	1	17/3/05	1	18/3/05	1	3

* UNICEF's letter requesting the CERF advance is dated 21 May 2004 although it appears that this correspondence did not go through OCHA's Registry so there is no documentation as to when OCHA did receive the CERF request. Perhaps it was hand delivered from UNICEF. There is nothing documenting why there was such a lapse in time between date of receipt and actual request to Controller 37 days later.

Annex B

Summary of agencies responses to OIOS' questionnaire

#	Question	Summary of response
1.	Are you satisfied with the current CERF procedures for approval and disbursement of loans, including their monitoring and accountability?	<ul style="list-style-type: none"> • In general they were satisfied with the approval and disbursement procedures. • 2 agencies expressed dissatisfaction with the rigid repayment deadline of 6 months. • One agency felt that the monitoring and evaluation criteria needed to be built into the mechanism so as to provide a discussion forum at IASC.
2.	Are you satisfied with the speed of current CERF disbursements?	<ul style="list-style-type: none"> • 2 agencies did not respond to this. • 2 agencies were satisfied. • One agency stated that the time could be reduced from about 15 days to 2 days with an increase in capacity.
3.	What are your views on the viability of the new proposed CERF mechanism and its grant facility?	<ul style="list-style-type: none"> • All welcomed the expanded CERF mechanism especially the grant facility to cover the gaps in emergent humanitarian funding. • Concerns were expressed on the eligibility criteria for the advance by 3 agencies. There was a lack of clarity over the criteria to be used to determine the use of the loan or grant window. The fact that a grant could be subsequently converted to a loan at the discretion of the ERC has caused much confusion and debate. Also the criteria for doing this remains unstated • One agency stated that the role of the IASC in “advising on priorities and use of CERF funds” needs to be more strongly reflected in the draft report. Currently, it is not clear what role the IASC advise will play, and how it will be taken into account, in the decision making process by the ERC and the Advisory Board. • One agency stated that the reporting mechanism was unclear.
4.	Have you reviewed the latest draft submitted to the Secretary General and are you satisfied that your concerns have been taken care of?	<ul style="list-style-type: none"> • All had reviewed it but all of their concerns had not been addressed in the current document. Some of these are highlighted in response to question 3. • Additionally one agency stated that the criteria needs to be further defined in such a way to allow possible coverage also of early recovery-related activities,

		<p>including urgent shelter and income generation/livelihoods interventions. The use of the term, “life-saving” seems to exclude early recovery, even though it remains one of the most under-funded of CAP lines. The definition of “life-saving” initiatives would therefore be very important.”</p> <p>Flexibility, based on the needs identified/recommended by the RC/HC should be reflected in the report more clearly and explicitly.</p>
5.	Are there any problems that still persist with the current draft of CERF which will inhibit your usage of the CERF?	<ul style="list-style-type: none"> • Yes, refer to issues at 3. and 4. above. • Additionally, one agency stated that replenishment procedures should be developed in a way that preserves the idea of “additionality” of funds contributed to the CERF.
6.	Do you think that the current mechanism to raise funds will be successful considering that it is a grant facility requiring substantial annual replenishment and that fund raising will be done by OCHA’s Donor and External Relations?	<ul style="list-style-type: none"> • Concerns were expressed about the “additionality” of the funds and that replenishment will prove a more difficult resource mobilization task than getting the initial funding commitments to get the CERF grant facility up and running.
7.	Are the pooling of funds raised for the expanded CERF likely to cut into/affect the funds raised for your individual EPFs?	<ul style="list-style-type: none"> • Most felt that it would not affect the other emergency funds of the agencies as they were sector specific but only experience would show the donors’ commitment to “additionality”.
8.	Given that the IASC in its recent meeting has decided to nominate cluster leads for different sectors, how in your opinion are cluster leads going to be adequately financially supported by the CERF mechanism?	<ul style="list-style-type: none"> • One agency stated that the cluster lead structure has still to be reconciled with the sector responsibilities on the ground. • One agency stated that the CERF grant should be given up-front to cluster lead agencies to help ensure early response for new emergencies. • One agency stated that the two issues are not linked as clusters are focusing on capacity development and preparedness as opposed to life saving response interventions.

Annex C

Further action required on audit recommendations

Note: OCHA's responses to the audit recommendations contained in this report have been recorded in OIOS' recommendation database for monitoring and reporting purposes. Please note that the recommendations shown below remain outstanding unless shown as 'closed,' pending the provision of documentation that they have been implemented as described in the following table.

Recommendation number	Required evidence of implementation
AN2005/590/09/01	Updated ST/SGB or ST/AI.
AN2005/590/09/02	Indication that the timeline has been formally established.
AN2005/590/09/03	Recommendation has been closed as implemented.
AN2005/590/09/04	Changes made to reduce the advance processing time.
AN2005/590/09/05	Recommendation has been closed as implemented.
AN2005/590/09/06	Evidence that standard formats for proposals and financial status reports have been developed and are in use.
AN2005/590/09/07	Copy of the approved criteria and a corresponding instruction on its use by the desk officers.
AN2005/590/09/08	Documentation supporting the establishment of the \$15 million reserve level and review of the relevant provision of the new ST/SGB or ST/AI.
AN2005/590/09/09	Copy of the 2004 – 2005 financial statements showing the corrections made.
AN2005/590/09/10	Supporting documents on repayment waivers which indicate that appropriate authorization has been received.
AN2005/590/09/11	Updated ST/SGB or ST/AI.
AN2005/590/09/12	Updated ST/SGB or ST/AI.
AN2005/590/09/13	Updated ST/SGB or ST/AI..