

Appendices lessons learned report Tsunami

10 November 2008

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Introduction

These appendices to the Tsunami lessons learned report are based on the country reports, audit reports and other information provided to the Task Force secretariat in the period 2005-2007.

Appendix I Australia

In June 2006, the Auditor-General of Australia published a performance audit *on Arrangements to Manage and Account for Aid Funds Provided Under the Australia-Indonesia Partnership for Reconstruction and Development* (Audit Report No. 50 2005–2006). The objective of the audit was to assess the framework being put in place to manage and account for aid funds provided under the Australia-Indonesia Partnership for Reconstruction and Development (AIPRD). The main findings and recommendations are presented in this appendix.

The AIPRD comprises AUD 500 million in grants and AUD 500 million in concessional loans over the period to 30 June 2011. It is the largest single aid contribution ever made by Australia, and is on top of ongoing aid to Indonesia (some AUD 1 billion of anticipated expenditure over the period 2004-05 to 2008-09). At the time of this report, AUD 947 million of the AUD 1 billion AIPRD funding had been committed to programme elements. This included some AUD 166 million to emergency preparedness and response, with the balance of committed funds promoting broad-based economic growth in the areas of economic and social infrastructure, human resource development, private sector development, and improved governance.

The AIPRD is being delivered for the Australian Government by the Australian Agency for International Development (AusAID), which is an administratively autonomous agency within the Foreign Affairs and Trade portfolio.

Transparency and accountability have been emphasised as key features of the AIPRD. Their achievement requires not only a sound financial framework but appropriate performance monitoring and evaluation. This facilitates the reporting of progress and outcomes.

The Australian National Audit Office (ANAO) examined the arrangements being put in place to monitor progress and manage contractor performance for two early activities under the Aceh Rehabilitation Programme, the first major programme to be implemented. Both contracts had a degree of flexibility, allowing contractors to progressively

identify scope and design activities. This reflects the realities of post-crisis aid, but does require a sound approach to performance management. One contract had performance incentives, and a reasonably well developed performance management framework. However, this framework was weakened because the means of verifying performance was not well developed or defined. The other contract lacked specificity in relation to approval processes, controls and performance indicators. This was a contributing factor to performance difficulties encountered with this contract. Nevertheless, AusAID did monitor progress and address performance issues when they arose.

The strengths and weaknesses in the performance management frameworks for these contracts provided an opportunity for lessons to be learned and applied to future contracts. Particular issues involve strengthening the clarity and focus of performance measures.

The ANAO recommended that AusAID enhance AIPRD accountability and transparency by ensuring that the future public reports of the AIPRD identify and, subsequently, report against:

- the expected yearly disbursement of grant and loan funds, by major grant and loan activity;
- significant activity milestones; and
- performance indicators, covering effectiveness, quality and quantity, particularly for larger activities.

The ANAO also recommended that AusAID include targets, benchmarks or activity levels in performance indicators for the AIPRD, where possible, to enable future results to be interpreted against expectations. This will help strengthen transparency and accountability to the Parliament and stakeholders.

Appendix II Austria

The Supreme Audit Institution of Austria prepared a country report that addresses transparency and accountability for Austrian Tsunami-related aid flows. The report is based on an audit by the Austrian SAI. The main findings and lessons are presented in this appendix.

Austria earmarked funds of more than EUR 104 million to support post-Tsunami emergency relief and reconstruction processes. The central government, regional governments and municipalities committed to providing totalling EUR 50 million to finance humanitarian aid and reconstruction efforts in the Tsunami-affected countries during the period 2005-2007. Private sponsors mobilised more than EUR 54 million.

The Austrian reconstruction programme was organised in a decentralised manner. Projects were implemented at local, regional and central level over a period of three years. Responsibility for project implementation and quality control rested with the respective donor institutions (ministries, local authorities, etc). In most cases donor institutions charged NGOs with the implementation of the projects. NGOs were accountable to the respective government organisation for the public grants they received for those projects. Projects were monitored either by the Austrian Development Association (ADA) or by a special unit set up by the government to coordinate Tsunami -related aid and ensure accountability and transparency. The Austrian Court of Audit found the activities of that unit unsatisfactory, whereas the ADA seems to have reasonable procedures that appear to work well.

NGOs as such and private funds are not subject to audit by the Austrian Court of Audit. The Austrian Court of Audit therefore could not look into the matter in detail and has no comprehensive and reliable information. Data on private funding of Tsunami-related aid, however, were surveyed by the ADA and are included in relevant annual reports to the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD). The ADA surveys private funding of Tsunami-related aid for its report to OECD-DAC. NGOs report to ADA as a matter of goodwill. The Austrian Court of Audit has access to these data only to the extent that the DAC publishes them.

The Austrian Court of Audit looked at the information published by private organisations. Many private organisations publish their annual reports on the internet but the information available on the internet is not detailed enough to follow aid flows from source to destination nor is it based on uniform reporting criteria, definitions and standards.

The ADA, an operational unit responsible for the implementation of general development cooperation programmes and projects of the Austrian government, has specific guidelines for the cofinancing of individual projects in developing countries. For other NGOs there is a voluntary certification programme, the "*Spendengütesiegel*". To earn this seal of excellence for fundraising organisations, NGOs have to comply with a number of clearly specified regulations and criteria. In particular, they must have their annual accounts audited in Austria. They must also submit an audited report. This is done on a voluntary basis, however. Sometimes it is difficult for the ADA to get hold of audit reports on the spot.

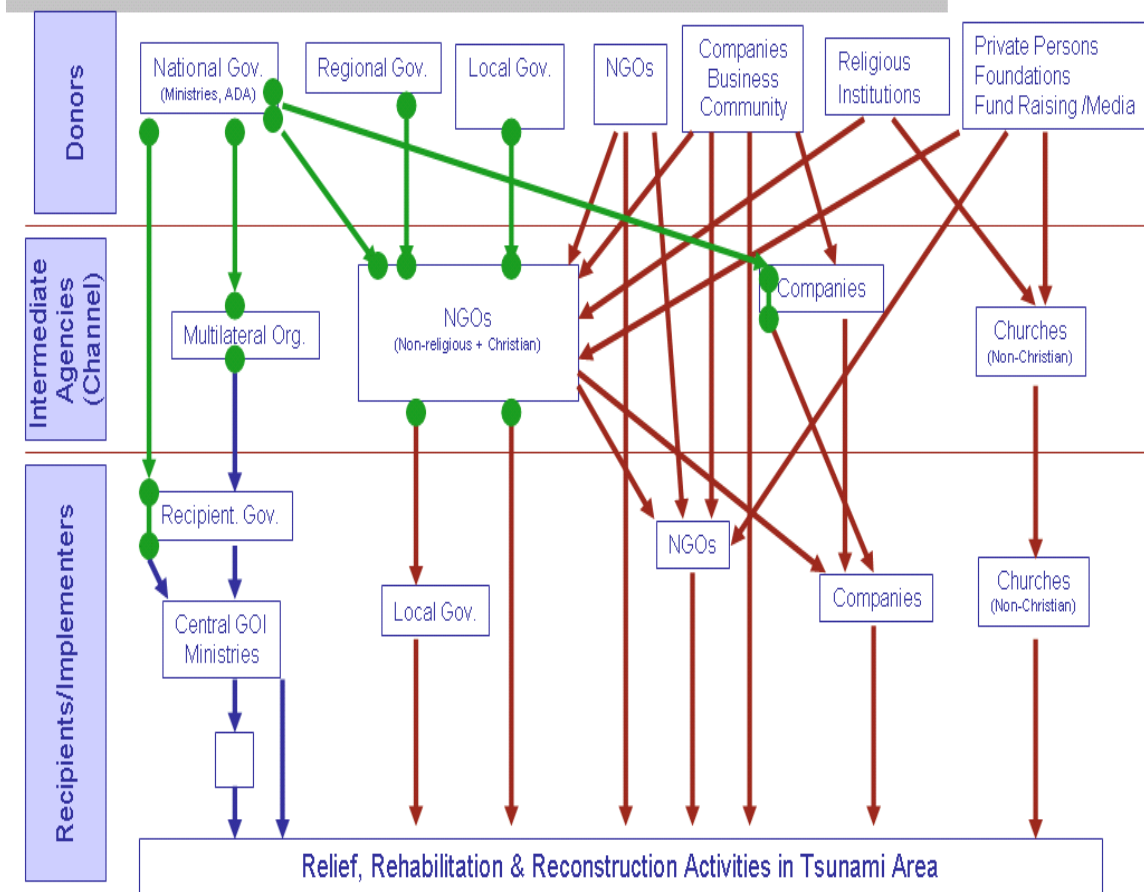
Not all organisations account separately for Tsunami-related aid, at least not in the reports available on the internet. Reports on the internet apply different reporting standards. In general the Austrian SAI found that accountability of projects financed by ADA seem to be quite good.

The following figure presents the flow of Tsunami-related aid from an Austrian perspective:

INTOSAI Task Force on the Audit of Disaster-Related Aid

Tsunami-Related Aid Flows: Austrian Donor Perspective

Der Rechnungshof



Appendix III Denmark

The Supreme Audit Institution of Denmark prepared a country report that addresses transparency and accountability in the humanitarian sector in Denmark. The report is based on information and lessons learned from the massive response by the Danish government and the Danish relief organisations to the Tsunami catastrophe that hit the Indian Ocean on 26 December 2004. The main findings and lessons are presented in this appendix.

An unprecedented amount was raised to support the victims of the Tsunami. The Danish response was concentrated on a few organisations traditionally involved in emergency aid and reconstruction. However, a number of organisations traditionally engaged in more long-term development activities also responded to the catastrophe. A total of DKK 414 million was committed by central government:

- 5% of the humanitarian budget was provided in the form of direct military assets (air transport, water purification equipment etc);
- 20% of the humanitarian budget was provided in-kind (mobile hospital, air transport, blankets. etc.);
- 7% of the humanitarian budget was provided in the form of personnel from Denmark.

The Danish government channelled funds to the Tsunami-affected areas through several channels. For the emergency aid the majority of funds were channelled through UN agencies, Danish NGOs and the Danish Emergency Management Agency/Ministry of Defence. Assistance for reconstruction was channelled chiefly through existing development programme structures, e.g. the environmental programme in Thailand, or through cooperation with the government in the affected areas, e.g. support for the water and sanitation sector in Sri Lanka. In Indonesia the Multi-donor Trust Fund of the World Bank was used to channel funds for reconstruction.

Danish relief organisations raised approximately DKK 329 million in private donations and an additional DKK 92 million in public funds (Ministry of Foreign Affairs and ECHO). DKK 42 million was accounted for as corporate contributions, which is probably an underestimation based

on the fact that only a few organisations recorded corporate contributions separately. A more credible amount raised from corporations is DKK 72 million. This is the figure the Danish broadcasting station TV-2 stated was the result of a national fundraising TV show. The money raised was channelled through some of the largest relief organisations.

It is difficult to obtain an overview of the aid flows from source to recipient through published documents. This, however, does not necessarily mean that it is not possible to follow aid flows. There is no central database to register funds raised, committed or disbursed for specific emergencies.

Most organisations present information on their web pages about their response but it is not possible to compare this response to the response of, e.g., other organisations, governments and UN organisations. The transparency of the spending of funds could be enhanced by harmonising reporting standards on the web pages and by making all organisations report on spending and progress. A central national database including both government funds and private funds could also provide a more thorough picture of humanitarian responses.

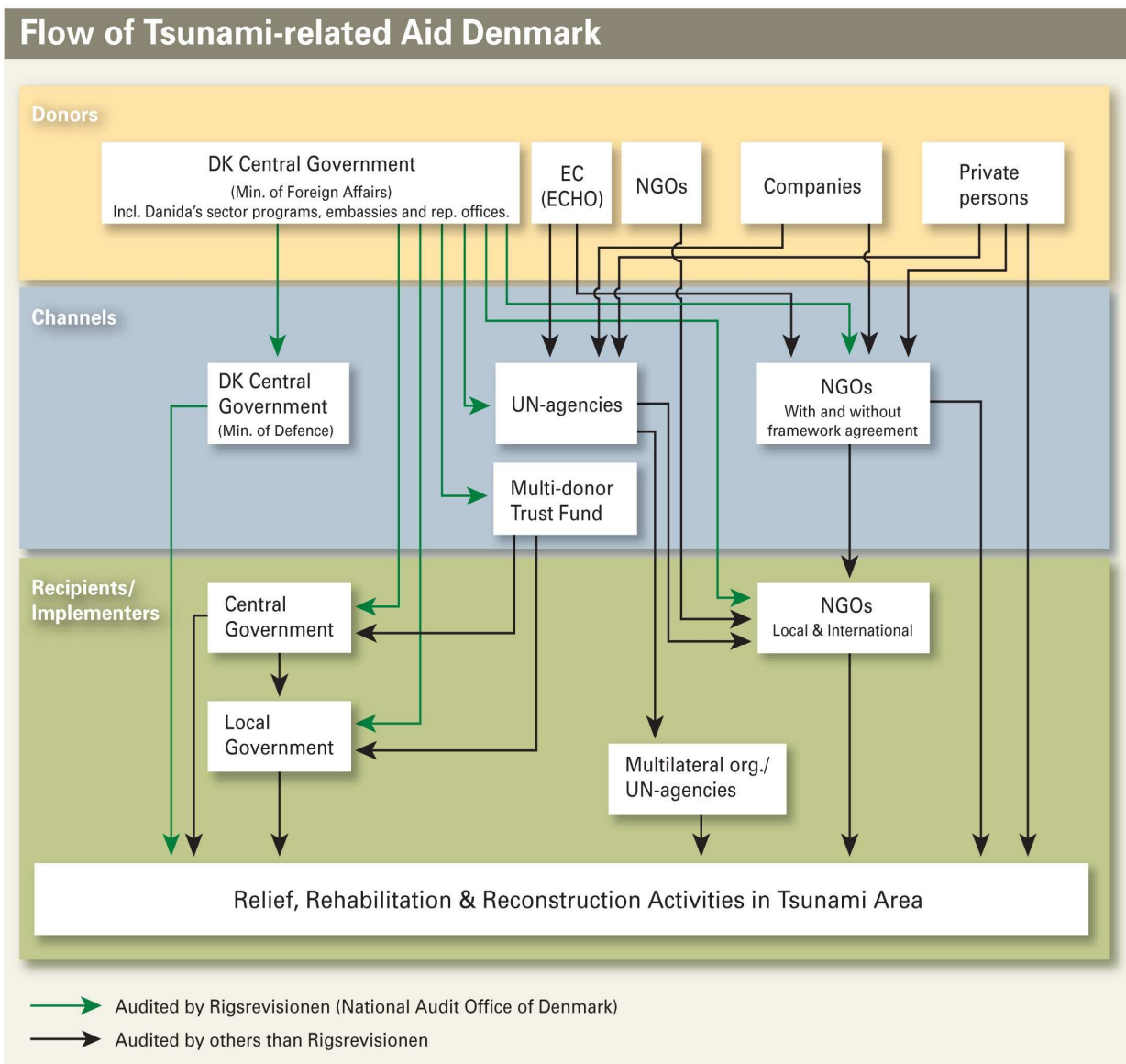
Accountability measures are in place, e.g. all accounts must be audited by a Danish chartered or registered accountant, and the organisations adhere to international standards on humanitarian assistance such as Do No Harm and the SPHERE standards.

The Danish relief organisations emphasise that it is imperative to work with local partners to get the best results. The Danish government also chose to channel the majority of funds through established channels of cooperation and to work with known partners. This lesson implies that organisations should refrain from responding to catastrophes in areas where they have no prior engagement with the target group or no specific experience working in the affected area. This lesson is particularly important for the more long-term involvement in rehabilitation and reconstruction.

Another important lesson is that the relationship between a major funding agency and relief organisations can have an impact on the quality of the response. The cooperation between the Ministry of Foreign Affairs and its implementing partners was reported to be impeccable by the Tsunami Evaluation Coalition. The nature of the cooperation between the Danish relief organisations and the Ministry of Foreign Affairs made it possible to make a swift, flexible and un-bureaucratic response to the Tsunami.

According to the evaluation this was the result of many years of cooperation and a relationship based on trust and confidence as well as capacity building within the organisations.

The following figure presents of the flow of Tsunami-related aid from a Danish perspective:



Appendix IV France

The Supreme Audit Institution of France is the only SAI with a legal mandate to audit fund flows statements of non-governmental organisations that call upon the generosity of the public. The law of 7 August 1991 authorises the Cour des Comptes to investigate the use that such entities make of the donations received following the natural disaster in the Indian Ocean.

In January 2007 the SAI of France published an audit report *French aid to victims of the 26 December 2004 Tsunami*, on the response of central government and 32 charitable organisations involved in fundraising for the Tsunami disaster. The main findings and recommendations are presented in this appendix.

French public funds raised for the Tsunami victims in 2004, 2005 and the first half of 2006 amounted to EUR 337 million, of which EUR 23 million came from regional and local authorities. EUR 17,6 million of the total amount was donated to international organisations by the French state in response to their emergency appeals and EUR 75 million was contributed to the European Community Humanitarian Aid Office (ECHO).

After deduction of fundraising expenses (EUR 8 million), operating expenses (EUR 5,6 million) and reallocated (EUR 19,9 million) and returned (EUR 0,2 million) funds, the overall amount raised from the public and other sources) and available to the 32 NGOs at the end of 2005 for aid to the Tsunami victims totalled approximately EUR 289 million.

The main finding of the Cour des Comptes, which did not have the 2006 accounts when it drew up the present report, related to the high amount of resources, both private or public, still not used as of 31 December 2005. On the part of the State, only a third of the sums made available for loans at very advantageous interest rates had been used. On the part of the NGOs audited by the Cour des Comptes, the overall funds not used on that date amounted to more than half of gross sources of funding, with extensive differences from one organisation to another.

Given these amounts, the fund allocation schedules extending over four to five years and the associated risks, issues raised in January 2005 came to the fore again: Should fundraising activities have been halted? Should part of the donations not have been allocated to the Tsunami? The Cour des Comptes believes that a satisfactorily informed donor might agree to a partial reallocation of the funds, if carried out transparently and respectful of his wishes.

In view of the amount of funds still not used as of 31 December 2005, the Cour des Comptes could verify the compliance of use with the objectives put forward in the fundraising appeals for only part of the Tsunami resources. The situation is as follows: for 15 of the 32 NGOs audited, the Cour des Comptes declared that the expenditures it audited complied with the objectives of the appeals; for the 17 remaining entities, it declared that there was general compliance but it also made recommendations (in 9 cases) or qualifications (in 8 cases).

Based on the audit findings the French SAI made the following recommendation on transparency: "In order to promote transparency, it may be opportune to consider giving background information on the fundraising appeal itself before providing information on the initiatives carried out thanks to donations received:

- the qualitative objective of the fundraising appeal would then be complemented by a quantitative objective, i.e. the amount required to carry out the activities planned;
- the campaign statement of accounts would indicate the amount of donations received, reiterate which amount is required to meet the actual needs - duly adjusted if necessary – and, on the basis of a comparison between the two, would launch a supplementary appeal or propose a reallocation."

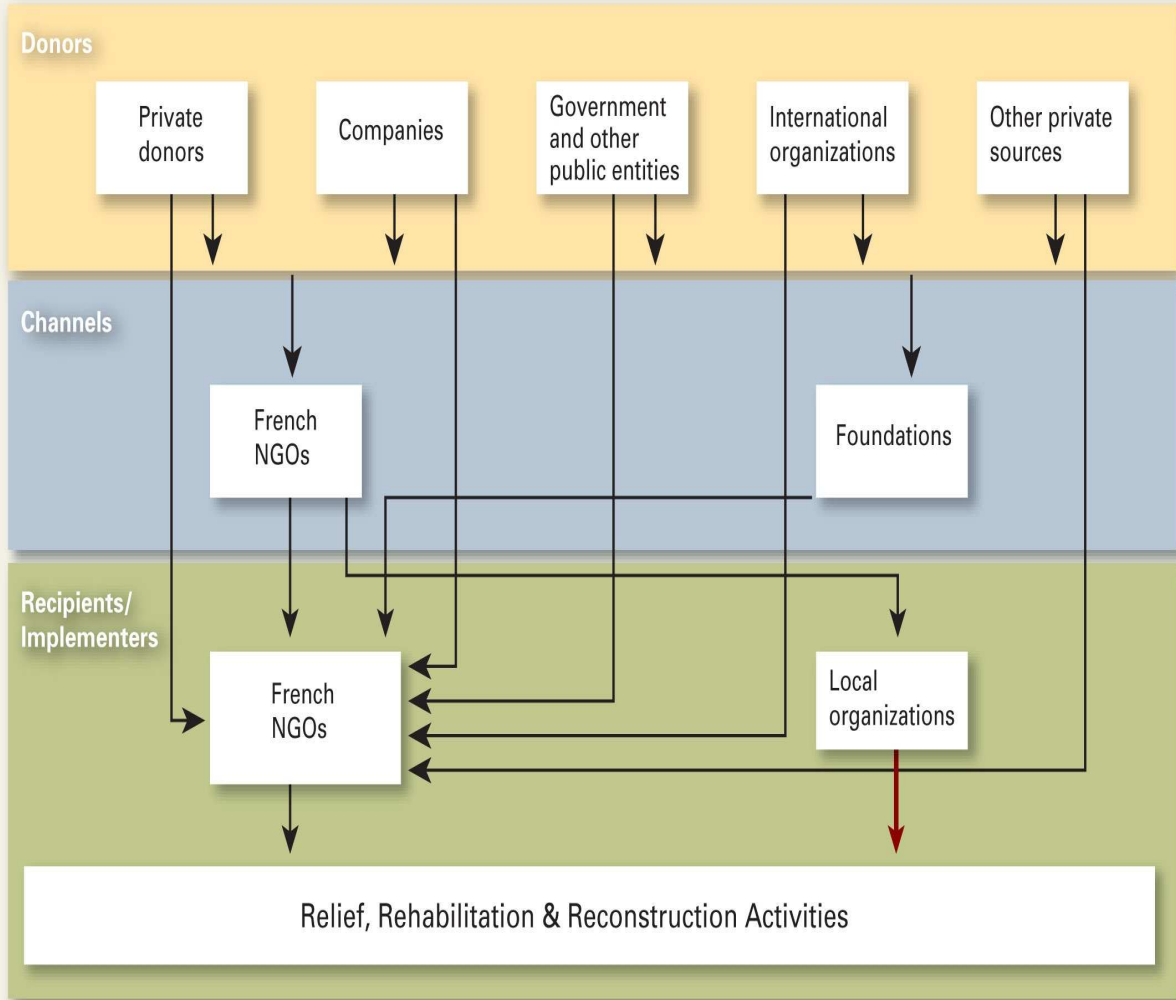
The Cour des Comptes also recommended the following:

- NGOs should continue to draw up, together with their annual accounts, a Tsunami funds flow statement until the earmarked funds have been used up.

In the absence of a standard accounting framework, the Cour des Comptes insists that NGOs comply with the Decree of 30 July 1993: it may oblige them to adapt their analytic accounting to meet these statutory requirements.

The following figure presents the flow of Tsunami-related aid from a French perspective:

Flow of Tsunami-related Aid for French NGOs and foundations



- Audited by the Cour des Comptes
- Not audited by the Cour des Comptes

All flow which are audited by the Cour des comptes may be audited by international organizations when those organizations have supported french NGO's or foundations.

Appendix V Indonesia

This country report was prepared by BPK, the Supreme Audit Office of Indonesia. It presents the most important issues regarding accountability for and transparency of aid flows. It also formulates recommendations for enhancing the accountability for and transparency of aid flows. The report covers Indonesia's experience in the context of the Tsunami disaster in Aceh/Nias and represents a recipient's side of the Tsunami aid. Additionally, a comparison with disaster management in Yogyakarta, the Maldives and Pakistan is provided based on data/information made available to BPK.

In Indonesia, all funds routed through the budget system of the Republic of Indonesia were classified as On-Budget. The inflowing funds were recorded on the Budget of the Government of the Republic of Indonesia (GOI) and the outflow as realised amounts. BPK has a mandate to audit this arrangement. Another arrangement is the so-called Off-Budget mechanism, for which BPK has no audit mandate. To improve accountability, BPK shared audit reports with other supreme audit institutions working in Aceh and coordinated audits with the Supreme Audit Institution of France.

This report presents data on inflows and outflows for relief operations in combination with data on reconstruction and recovery operations.

The table below shows the different categories:

Table 1 – Estimated expenditure for relief operations

Donor type	Amount allocated USD	Amount disbursed USD	Percentage of total spent
APBN (GOI's Budget Funds)	211,222,222	189,000,000	89
Domestic and Foreign Aid	84,314,778	37,950,046	45
Grand Total	295,537,000	226,950,046	77

Besides these funds, in-kind donations were received from more than 40 countries that participated actively in the Tsunami Relief period. They gave support in the form of assistance from soldiers, experts, medics and non-medics or supplied relief goods such as medicine, telecommunication

equipment, water purification systems, clothes and vehicles. The value of this assistance is not included in the figures above. During this period the records and reports were maintained in an inconsistent manner. The data presented were aggregated from the Central, Provincial, Regional and Local Governments records and have not been audited. A follow-up has been made by the Regional Government in an attempt to “reconcile” the funds outstanding.

Table 2 – Estimated On-Budget expenditure for relief and reconstruction operations

Source	Budgeted amount USD (equivalent)	Disbursed amount	%
Government of Indonesia	3,209,031,720	1,479,392,942	46
ADB	124,659,203	20,270,114	4516
MDTF	121,652,076	53,323,154	44
KFW Germany	31,833,333	30,583,544	96
Total	3,487,176,332	1,583,569,754	45

The figures above are aggregated to date and have been audited on a six monthly basis by BPK.

Table 3 - Estimated Off-Budget expenditure for relief and reconstruction operations

Donor type	Amount committed USD	Amount disbursed USD	Percentage of total committed
INGO	1,203,990,305	771,332,164	64
Bilateral	1,069,696,423	415,428,607	39
UN Agencies	443,410,836	242,282,892	55
Multilateral agencies	436,701,561	162,920,500	37
Private & community (other)	208,963,282	130,714,866	63
National/local NGOs	40,815,543	20,129,674	49
Academic institutions	--	--	
IFIs	--	--	
Grand Total	3,403,577,950	1,742,808,703	51

The Off-Budget amounts are captured in the RAND System, which is not audited by BPK. INGOs, bilateral, UN and multilateral agencies have their own audit and accountability arrangements. Supreme Audit Institutions, for example the Australian National Audit Office, provided copies of their reports to BPK. It has been suggested that arrangements should be made with governmental institutions in the Republic of Indonesia that all donors will be required to provide audited financial statements on at least an annual basis.

Table 4 - Estimated On- and Off-Budget expenditure for relief and reconstruction operations

Realisation Report On-Budget compared to Off-Budget to July 2007			
Source	Budgeted amount USD	Spent amount USD	%
Government of Indonesia	3,487,176,332	1,583,569,754	45
Donors' committed funding	3,403,557,959	1,742,808,703	51
Total	6,890,734,291	3,326,378,457	48

On the basis of year-to-date commitments and expenditures, GOI and donor amounts are very similar.

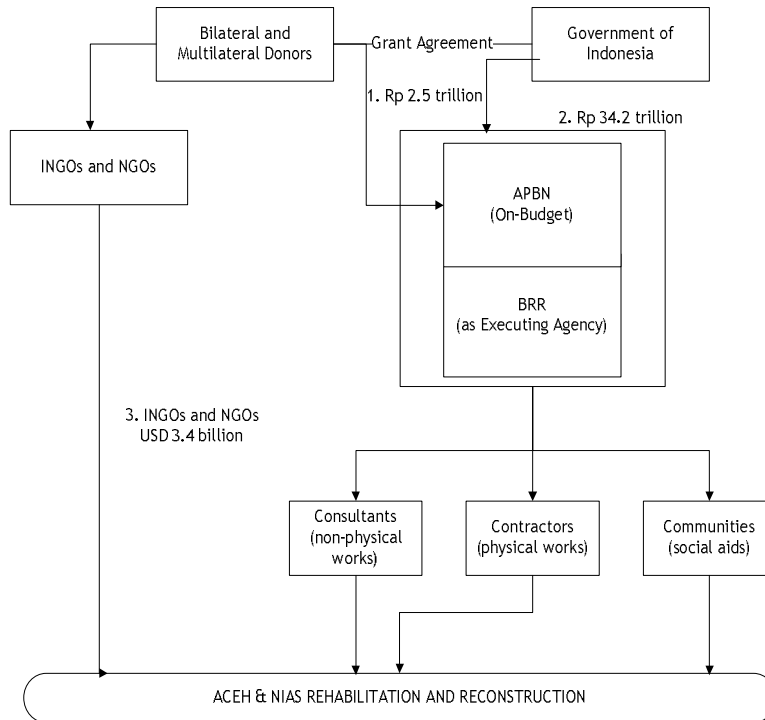
The break up of donors of Off-Budget estimated funds pledged to Indonesia are summarised below in Table 5

Table 5 - Donor Category by Commitment Amount

Donor type	Amount committed USD	Percentage contribution
INGO	1,203,990,305	35
Bilateral	1,069,696,423	31
UN Agencies	443,410,836	13
Multilateral agencies	436,701,561	13
Private & community (other)	208,963,282	6
National/local NGO	40,815,543	1
Academic institutions	--	
IFIs	--	
Grand total	3,403,577,950	100

More than 550 organisations made commitments to fund Tsunami aid in Indonesia to an amount in excess of USD 3.4 billion, with the top four categories making the largest contribution. Although these amounts are not auditable and the RAND (RAN Database Recovery Aceh Nias) System is only 60% current, the amount is believed to give a reasonable indication of the commitments made.

The following figure presented the aid flows from an Indonesian perspective.



The Executive Summary already includes some of the key findings and recommendations to improve recording, reporting and audit regarding relief, recovery and reconstruction activities that should be taken into account in future disaster operations. Other sections of the report expand on the following findings:

- The disaster-related accountability and transparency mechanism could be improved through disaster mitigation plans, centralised planning and coordination; open coordination amongst NGOs, the government and beneficiary stakeholders; plans in place for disaster management accounting; plans in place for immediate internal audit followed by external audit; and harmonised and/or coordinated audit.
- A centralised institution, such as BRR (Badan Rehabilitasi dan Rekonstruksi NAD-Nias), is necessary to handle the relief, rehabilitation and reconstruction of large disasters. While Act No. 24 2007 on Disaster Management gave those responsibilities to BAKORNAS (Badan Penanggulangan Bencana), BRR's knowledge and experience of disaster fund management, disaster database management, spatial information management, and/or concept notes

mechanism for NGO coordination needs to be planned for transfer to that agency.

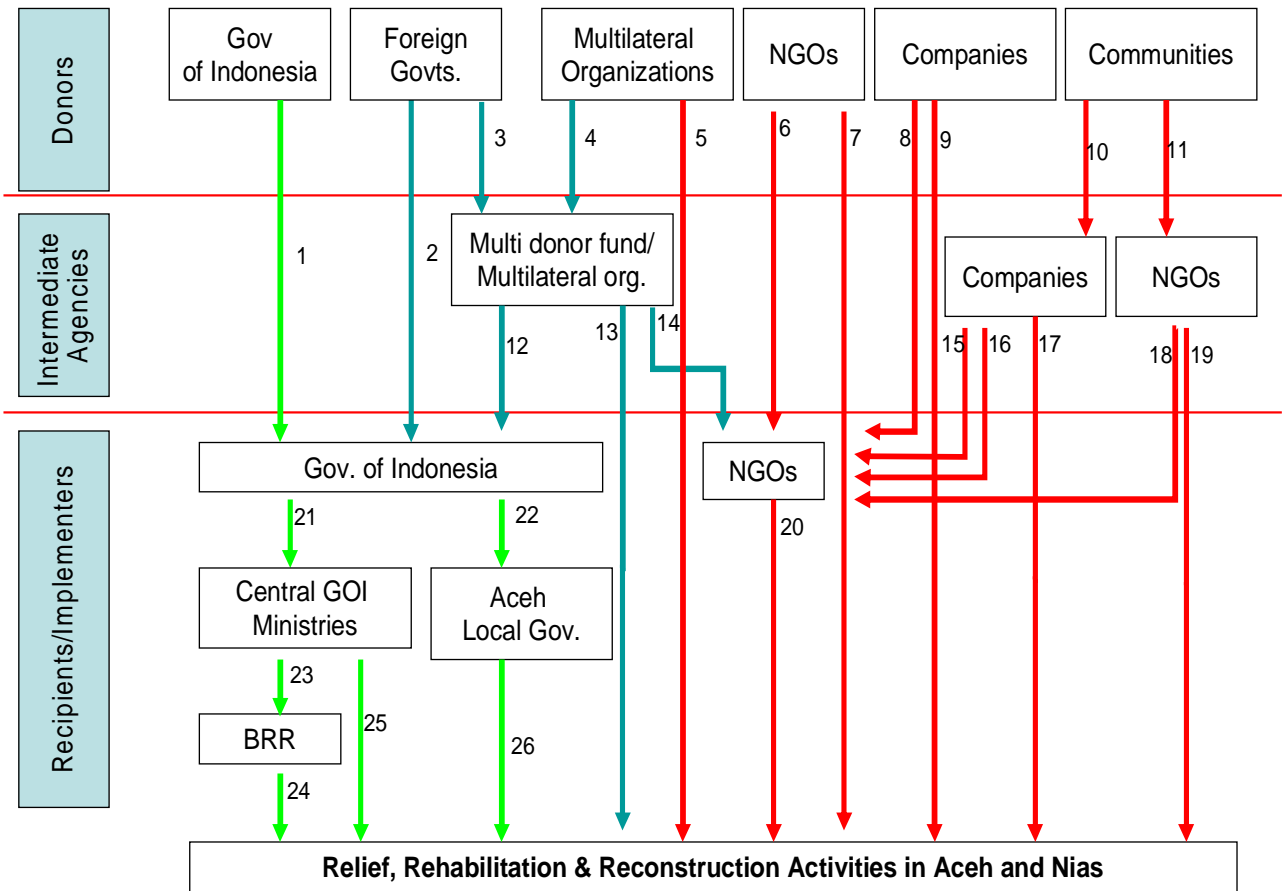
- During earlier assessment (2005) of funds flows, it was found that funds flows between donors, implementers and stakeholders resembled a “spaghetti” or the “noodle bowl” of flows depicting the inter and intra flows of donors, “partners’, implementers, government and recipients of aid. Since that time, BRR's development of its own processes and systems and that of the RAND have improved recording and reporting for On-Budget and Off-Budget flows commitments.
- BPK has specific responsibility for auditing all On-Budget flows that are processed through the GOI's systems (Directorate of Budget, Treasury and BRR as the Implementing Agency). Funds flows outside the GOI's systems are not auditable by BPK. BPK is worried that there is an exposure to risk when these flows are not covered by its audit. The report addresses the management of this risk through the utilisation of the RAND system (initially for Off-Budget recording) for reporting and BPK's audit of BRR.
- Multilateral agencies (such as the World Bank, ADB and MDF Multi Donor Funds) found it difficult to disburse funds on a timely basis through the GOI's On-Budget arrangements. This resulted in seeking other channels (Off-Budget) for funds disbursements for projects requiring funding.
- The RAND System is not fully up-dated as donors, project/programme implementers found RAND difficult to use. This contributed to around 60% compliance with up-dating RAND. BRR has developed a number of mechanisms to ease the perceived burden. The report recommends that whilst the information is incomplete, there is an opportunity for BPK to use the reports available from RAND and include a performance assessment of donors/implementers by means of a management letter to BRR.
- It was found that the multilateral and bilateral agencies and INGOs had accounting, audit and accountability arrangements in place. To further improve accountability arrangements for multilateral and bilateral agencies it was recommended that future MoUs and contracts between the agencies and GOI should include the provision of audit reports by the agencies to the GOI's Executing Agency on at least an annual basis.

- It appears that in-kind donations were not adequately recorded as to value, quantity and on-shipping. Some significant problems were experienced with distribution of, for example, pharmaceuticals where shortages were experienced but where warehouses carried inventory. BPK should include all records and processing of in-kind donations in its audit and review.
- With the passing of new legislation, there is currently an opportunity to strengthen BAKORNAS PB's accounting and financial reporting.
- Information from satellites should play an immediate and essential role in supporting early relief and ongoing recovery activities. When we can implement GIS in conventional audit procedures (sampling, risk analysis, observation, etc.), GIS may also become an audit technique. When this is the case, we shall measure the benefit and cost of the use of GIS as compared to conventional procedures. However, in major disasters and hazardous conditions, wars or conflict situations, remote areas (e.g. space or earth poles) or very large areas (e.g. forest or sea shore), GIS is considered the most feasible technique for risk analysis, monitoring and physical observation.
- Different definitions among actors of such terms as period for relief vs. rehabilitation vs. reconstruction or emergency vs. recovery increase the risk of establishing good coordination in disaster mitigation. An agreed list of definitions is considered necessary to increase accountability and transparency in disaster mitigation.

When collecting data, the team experienced some difficulties contacting corporate donors. Staff have either moved on or the people that were initially responsible for arranging Tsunami funding were no longer there. Generally speaking, the continuing staff turnover at INGOs also had an impact on the quality and quantity of information obtained. Whilst it is believed that the findings and recommendations are sound, similar projects in the future need to have additional resources for follow-up and feedback from the Off-Budget donors (greater stakeholder participation) to improve the quality and volume of collected information.

The figure below presents the applicable audit arrangements per aid flow.

Flow of Tsunami-related Aid in Indonesia



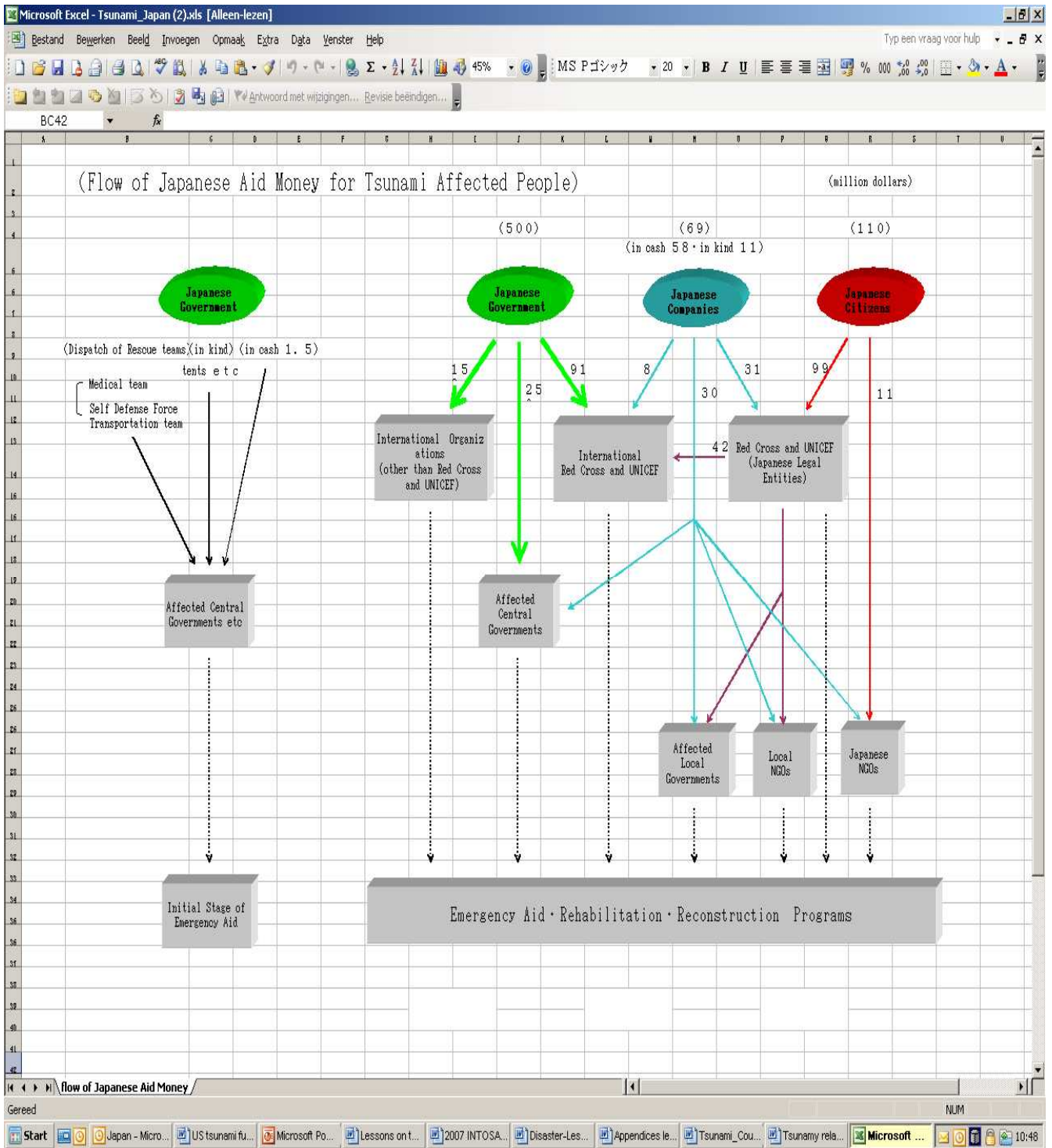
The audit arrangements for these flows can be described as follows:

Flow Number	Description and responsibility for audit
1, 12, 21-26	These funds are directly On-Budget (GOI's Budget) and are audited by BPK
2-5	When these funds are made available On-Budget, they are audited by BPK
2-5	In some instances these are made available Off-Budget and are not audited by BPK but by the donors' appointed auditors.
6-7, 20	These flows are audited not by BPK but by the donors' appointed auditors. (It is believed that most local NGOs not affiliated with international NGOs will not have their accounts audited.)
8-11, 15-19	These flows are audited not by BPK but audit arrangements are made or not made at the discretionary of the donors (donor appointed auditor).

Appendix VI Japan

The figure shows the funds flows from the Japanese Government, companies and citizens to the people affected by the Tsunami in December 2004. The numbers in the diagram, especially for the aid provided by the private sector, are very rough, not accurate and not audited by the Supreme Audit Institution of Japan. The figure gives an idea of how the Japanese people and companies reacted to the Tsunami. In Japan the Red Cross and UNICEF, organised under the Japanese legal system, rather than NGOs play a major role in collecting donations from the public and distributing money, food and necessary goods to the victims or those who need support.

In Japan, local governments, clearly stipulated by law, provide the necessary support to the people affected, based on the pre-determined disaster relief plans, and every local government has inter-dependent support programmes/network. At least once a year, they exercise regularly emergency relief and evacuation manoeuvre operations with the participation of residents.



Appendix VII Kenya

In response to the Tsunami, the Government of Kenya (GOK), through the Office of the President, made arrangements to mobilise and collect relief aid from various local and international organisations, as well as foreign governments, and notably, the People's Republic of China.

Furthermore, GOK appointed both the Kenya Medical Supplies Agency (KEMSA), a government body, and the Kenya Red Cross Society (KRCS) as the Lead Agencies to drive the relief deliveries to various areas affected in Malindi. All the relief aid was received in-kind in the form of drugs, food, bedding materials, household equipment and service provision, with the People's Republic of China making a considerable donation of Kshs. 29,461,851.41 (USD 399,754,00) worth of such aid.

As mentioned elsewhere, the aid was received by GOK through the Office of the President, which, as a requirement, was to facilitate quality control testing of all the drugs, food and household equipment by the National Quality Control Laboratory and the Kenya Bureau of Standards. Subsequently, KEMSA was assigned the task of storage and distribution of the drugs to various hospitals and dispensaries, while KRCS was mandated to distribute food, bedding materials and household equipment. Both agencies were required, after completing the exercise, to prepare and submit distribution returns to the Office of the President to facilitate accountability for the aid.

The aid received and distributed by KEMSA was largely easy to follow in an audit trail because the agency is audited by the Kenya National Audit Office (KENAO) both on a routine and an annual basis.

It was not possible to trace the aid received and distributed by KRCS, however, since the Society is a private charity (not subject to audit by KENAO) and did not prepare and submit returns on the aid it had received and distributed. Consequently, and in the absence of the returns or accounts audited by a private auditor, KENAO was not able to ascertain that all the relief aid channelled through the Society had been received by the target population and properly accounted for.

Lessons Learned

1. In order to improve accountability for aid flows, especially those from private sector companies, NGOs, communities and individuals, there is a need, in the absence of enabling legislation, to require the lead agencies to sign Memoranda of Understanding to facilitate audit of aid flows channelled through them either by KENAO or by private auditing firms.
2. Organisations and individuals making aid donations directly to the target population may be encouraged to channel such donations through the government in order to facilitate and enhance accountability.
3. There is a clear vulnerability to fraud, waste and corruption particularly where the volume of aid flow is considerable. In view of this, consideration should be given to the preparation of a working budget for the anticipated aid activities.
4. There is a need to share and exchange information between SAIs on the audit of disaster aid flows.

Appendix VIII Korea

Korean sources donated at least USD 99 million in Tsunami-related aid; USD 50 million was pledged by the Korean government and at least USD 49 million was raised chiefly by NGOs in national fundraising activities.

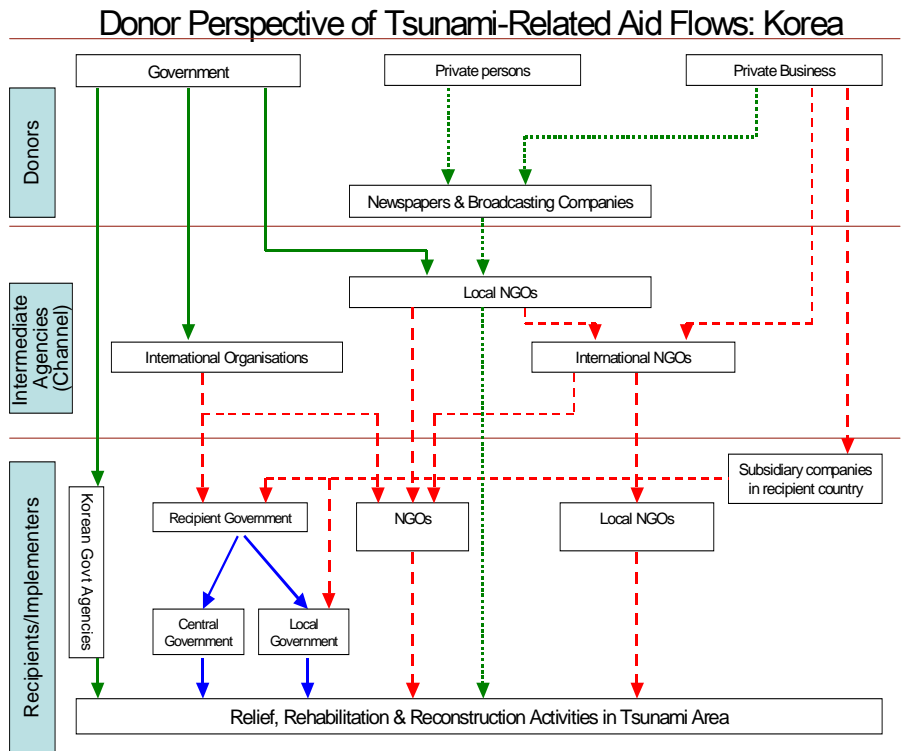
The Korean government pledged USD 50 million and disbursed USD 11 million during 2005. The remaining USD 39 million was committed for 8 rehabilitation and reconstruction projects in four Tsunami-stricken countries: Indonesia, Sri Lanka, Thailand and the Maldives. All 8 rehabilitation and reconstruction projects are on track and scheduled to be completed by 2008. Almost 90% of government aid is bilateral while multilateral assistance through international organisations such as the United Nations (UN) accounts for only 12%, or USD 6 million. The non-government sector donated funds of at least USD 49 million and the business sector, particularly large conglomerates such as Samsung and Hyundai, played a major role in donations.

Korea has a peculiar accountability/control environment with respect to disaster-related aid funds. Firstly, public fundraising activities are heavily restricted by the government, though they were recently deregulated. NGOs still need to register fundraising plan, detailing the objectives, amounts and use of collected funds, to the Ministry of Government Administration and Home Affairs (MOGAHA) before they begin a charity collection campaign from the public. Before the deregulation in 2006, NGOs had to get permission from the government before they could begin collection activities. Currently they are required by law to have their use of collected funds audited and report the audit results to the government and make them available to the public. MOGAHA has a full mandate to review charity collections, though it is seldom exercised on a regular basis.

In the case of the Tsunami, the Korean government, being afraid of excessive public charity activities, decided to consolidate the public charity collection channels and initially designated the Red Cross of Korea as the only fundraising channel and then designated other NGOs at a later date.

The transparency of funds channelled through international organisations or international NGOs is weak or non-existent and there seems to be some weakness regarding accountability and auditing, as is the case in many other countries.

The disaster-related aid flow in the Korean case can serve as an example to new donor countries that have emerged particularly in the wake of the Indian Ocean Tsunami disaster.



Appendix IX The Netherlands

Introduction

This appendix is based on the Netherlands country report as prepared by the Netherlands Court of Audit. It was published together with this present report on the website: www.intosai-tsunami.org.

As a member (and Chair) of the Task Force on the Accountability for and Audit of Disaster-related Aid, the Netherlands Court of Audit has studied accountability for and transparency of Tsunami-related aid flows at relevant stakeholders within the Dutch humanitarian aid sector. We studied accountability information published in the period 2004-2006 and held interviews with experts in the humanitarian aid sector. Our study was supported by the Dutch Ministry of Foreign Affairs, the office of PricewaterhouseCoopers in the Netherlands and by the Austrian Ministry of Foreign Affairs, for which we are most grateful.

Volume of Tsunami-related aid in the Netherlands

The Dutch government (Ministry for Development Cooperation) pledged EUR 300 million for relief, rehabilitation and reconstruction of the Tsunami-affected areas.

Table 1 - Pledges of the Dutch central government for the Tsunami

	EUR million	Channels used
Relief phase	31	United Nations agencies, group of cooperating Dutch aid organisations (SHO), individual international and national aid organisations, NATO
Rehabilitation and reconstruction	200	Multi Donor Fund for Aceh and Nias (Indonesia), Asian Development Bank, harbour and infrastructure projects in Indonesia and Sri Lanka, peace process Aceh, National Chamber of Commerce Sri Lanka, Ministry of Fisheries and Aquatics Sri Lanka, individual international and national aid organisations
Debt relief	69	Not known
Total amount pledged	300	

Source: Letter from the Minister for Development Cooperation to the Dutch parliament regarding the status of the Dutch contribution to

rehabilitation following the Tsunami in South East Asia, 12 December 2005.

Dutch municipalities and provinces also provided funds for the Tsunami-affected countries. We found accountability information at two municipalities and five provinces¹ indicating that EUR 5 million had been provided for the Tsunami affected countries.

The large aid organisations in the Netherlands have organised themselves into a group of cooperating aid organisations to raise funds for humanitarian crises such as the Indian Ocean Tsunami. The group of cooperating aid organisations (SHO) raised about EUR 205 million for the Tsunami-affected countries in 2004 and 2005.

Table 2 - Funds raised by the group of cooperating aid organisations (SHO)

Source	EUR million
Dutch public, Dutch business community, lotteries, municipalities and provinces	200
Dutch central government	5
Total	205

Source: SHO, Annual report 2006 Tsunami

Findings on accountability and audit of Tsunami-related aid

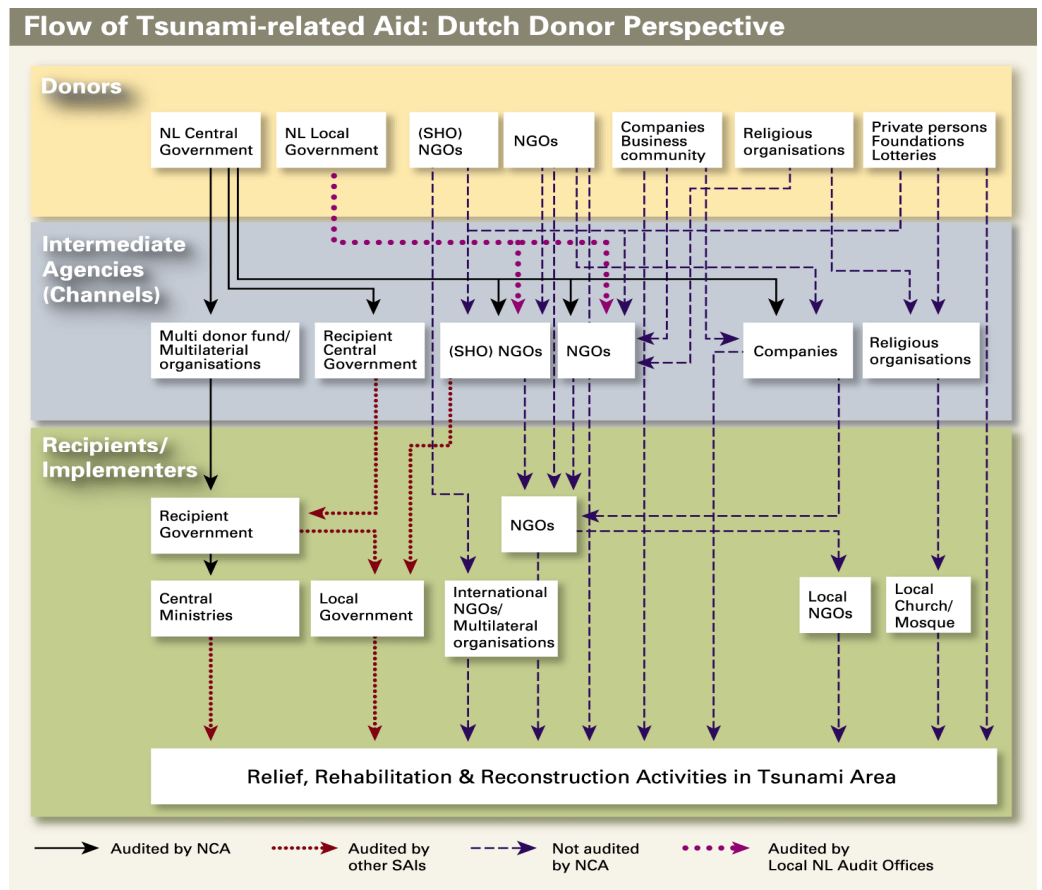
We found that the government and the larger humanitarian aid organisations had complied with accountability requirements set by rules and regulations, by funding agencies, by accreditation institutions and by self-regulation. We also found that the larger humanitarian aid organisations had even provided more information than required by the accountability rules in place. Nevertheless, lack of information and lack of comparable information prevented us from following the aid flows from source to destination. We therefore concluded that the accountability requirements applicable to humanitarian aid funds in the Netherlands do not facilitate a transparent audit trail. We were also unable to establish a sector-wide overview of the provision and expenditure of Tsunami funds in the Netherlands.

The lack of accountability information and comparability of that information hampers the planning, coordination, monitoring and auditing of aid and stands in the way of learning for the future. The Task Force concluded from various country reports such as this one that a single

¹ The Netherlands has twelve provinces and more than 400 municipalities.

information structure should be in place to facilitate an audit trail of disaster-related aid funds. This single information structure should contain standardised financial and performance accountability information that matches the information needs of the relevant stakeholders. A single information structure would enhance the accountability and transparency of disaster-related aid funds. The Netherlands Court of Audit is willing to assist the Dutch aid sector with the further development of transparency and accountability for disaster-related aid. We recommend a hands-on, step-by-step approach with all relevant stakeholders to develop a common set of financial and performance data and to harmonise definitions, accountability and reporting standards. Such an approach could establish a platform for a single information structure.

The following figure presents the flow of Dutch Tsunami funds from source to destination and the related audit mandates.



Appendix X Norway

This country report was prepared by the Supreme Audit Institution of Norway. It presents the most important issues regarding accountability for and transparency of the Norwegian Tsunami-related aid flows. Norwegian sources donated at least EUR 218.2 in Tsunami-related aid: EUR 137.5 million pledged by the Ministry of Foreign affairs(MFA) and at least EUR 80.7 million raised by NGOs in various fundraising activities.

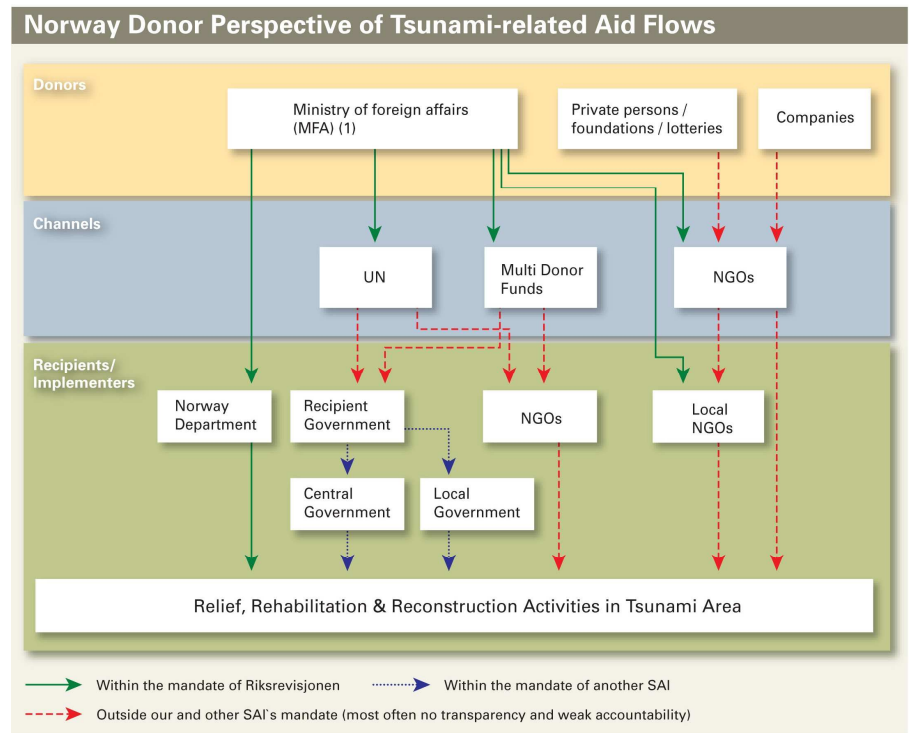
MFA pledged EUR 131.5 million and disbursed EUR 115.75 million during 2005. The EUR 115.75 million was used as follows:

	EUR million	Percentage
United Nations	71.4	61.7
NGOs/INGOs	27.3	23.5
Multi donor fund	15.0	13.0
Local NGOs/government	2.1	1.8

NGOs raised at least EUR 80.7 million and they were also used as a channel for MFA.

There are shortcomings in the transparency and accountability of aid provided to the UN and World Bank's multi-donor funds. We are able to follow funds flows from MFA to the UN/World Bank but it is often not possible to follow them any further.

The transparency of funds channelled through NGOs is weak or non-existent and there seems to be some weakness regarding accountability and auditing.



Appendix XI South Africa

This country report was prepared by the Supreme Audit Institutions of South Africa. It presents the most important issues regarding accountability for and transparency of the South African Tsunami-related aid flows.

The South African government, through the Minister of Provincial and Local Government (DPLG), assumed a leading role in ensuring that South Africa's intervention in this crisis was coordinated. The National Disaster Management Centre (NDMC)² served as the coordinating arm of the DPLG. The NDMC was constituted with the objective of promoting an integrated and coordinated system of disaster management, with special emphasis on prevention and mitigation in national, provincial and municipal organs of state, statutory functionaries, other role players and communities.

The Department of Foreign Affairs in South Africa, in conjunction with the NDMC, primarily played a facilitating and coordinating role in rendering aid to countries affected by the Tsunami. The department furthermore provided consular services to South African citizens and permanent residents directly affected by the events. The minister announced that all funds raised in response to the Tsunami appeal would be deposited in a special account operated by the South African Red Cross Society (SARCS), to be forwarded to the Appeal Fund of the International Federation of Red Cross and Red Crescent (the Federation). The Federation, working in partnership with the UN, was already active in all the affected countries and had assessed the immediate needs of affected communities.

The NDMC facilitated the deployment of four helicopters to Indonesia to support search and rescue and corpse identification activities. The overall operation, which was carried out by the South African Police Services (SAPS), Naturelink Aviation and local experts in the affected country, was funded by South Africa to the tune of USD 62,648.

² <http://sandmc.pwc.gov.za/newsite/default.htm>

Through public appeals and spontaneous donations, the collaborative efforts of the DPLG, the SARCS, Netcare 911 (emergency medical services), Pick 'n Pay (retail group), the SA (television) Broadcasting Corporation (SABC), ABSA Bank and Standard Bank, a total of USD 4.7 million was raised.

The NDMC further coordinated the transfer of USD 313,424 from the Department of Foreign Affairs as well as USD 626,848 from the Department of Water Affairs and Forestry to the SARCS account to facilitate the urgent and long-term deployment of specialists to the affected countries, with specific emphasis on the water sector intervention in the Maldives.

Relief items, including medicines, water purification equipment, food and clothing, were also carried at no cost to the affected countries (by SA Airways, Kenya Airways, Air Seychelles, Qantas and Cathay Pacific). The 84 tons of food, clothing, medicines and fishing nets were sent to Somalia, via Kenya, with the support of the SA Mission in Nairobi and the Kenya Red Cross Society.

The NDMC facilitated the purchasing and forwarding of a shipload of alum (a double sulphate of aluminium and potassium, a chemical to stop the spread of disease due to volume of corpses), destined for Sri Lanka at a cost of USD 133,205.

On the lessons learned, with reference to what could have improved the Department of Foreign Affairs' contribution, the following can be said:

Many of the initial difficulties experienced by the task team related to obtaining financial support for South Africa's relief efforts. As in the case of previous disasters (Bam earthquake in Iran during 2003) procedures to obtain funding were cumbersome and lengthy, leading to delays in humanitarian assistance. While the need for financial accountability remains paramount, one needs to question the application of existing financial regulations in the event of a disaster of this scale, where time is of the essence.

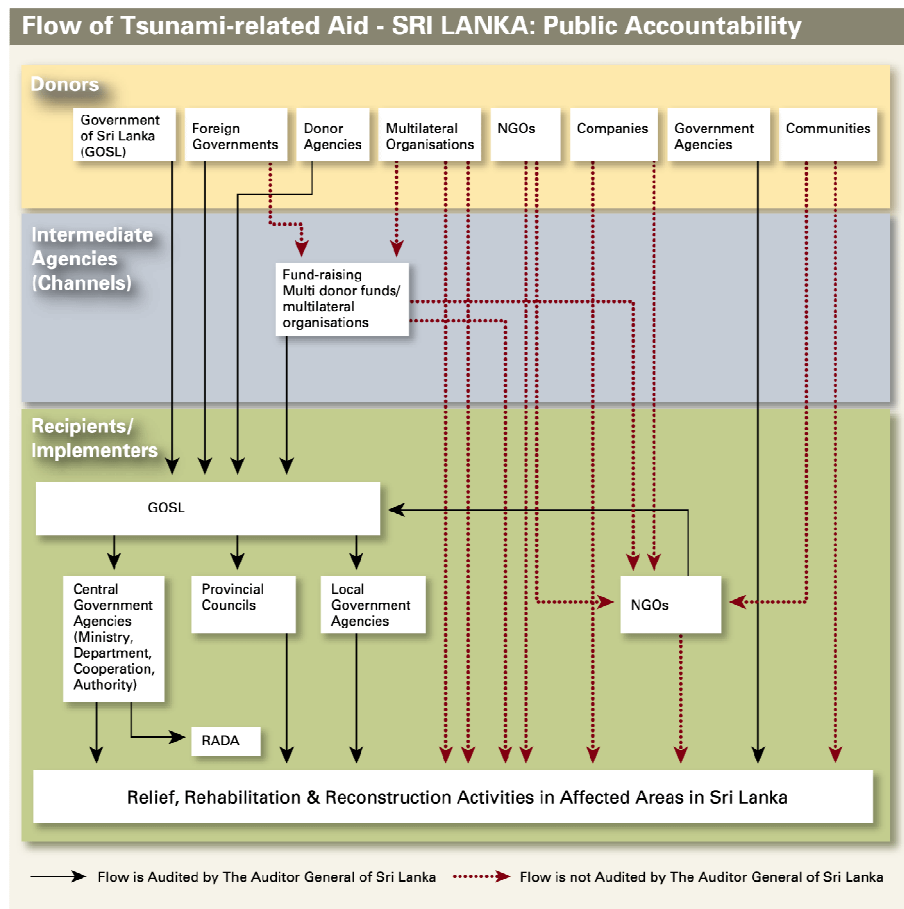
Delays in the release of government funds made it difficult to meet some of the urgent needs in the affected countries. As a result, South Africa relied heavily on public donations.

Consignments of donations in kind created problems as the receiving harbours and airports were overwhelmed. Customs and excise processes were lengthy and some of the clearance charges were extremely high. Some of the donations received were not suitable for the communities in the affected countries due to cultural and religious differences, e.g. pork-based canned foods, maize meal.

Appendix XII Sri Lanka

This country report was prepared by the Supreme Audit Institution of Sri Lanka and is based on a breakdown of Tsunami-related aid flows from Sri Lanka. It presents the most important issues regarding accountability for and transparency of the Sri Lankan Tsunami-related aid flows.

As far as the flow of funds is concerned it is very difficult to understand the flow of money from donors to the implementation partners as well as to the general public. The Auditor General has audited some aid flows, which are shown in the diagram by means of dark lines:



The following observations can be made on the audit process:

- Different information pertaining to the same topic was furnished by the institutions audited.
- The funds allocated to the Divisional secretariats were not utilised efficiently and effectively.
- Advances given to the Divisional secretariats were not settled.
- No source documents were presented to verify the advances given to cooperative shops.
- Excess donations were given to the Tsunami victims.
- The total number of families who received Tsunami donations did not match the number of families on the electoral role. The gap is 65%.
- There are instances where circulars are violated.
- Money was paid to ineligible persons.
- Lack of supervision and monitoring of the Divisional secretaries and District secretaries.
- No evidence for the payment of donations in specific areas.
- No lands were acquired properly.
- Persons living in some areas were given more land than those living in other areas.
- MoUs were not signed for the total houses planned to be built.
- No work has started on 92% of the total houses.
- Payments were made contrary to the technical officers' reports.
- Individual bank loans were settled using Tsunami aids.
- Even though the money was given, no restoration work has started.
- Lack of reporting.
- Some NGOs that received construction commissions have not started work.
- Actual temporary houses constructed exceed the requirement of temporary houses.
- Unnecessary volume of goods came to the country. As far as water is concern there was no significant shortage after the Tsunami.
- Unexpected cargo of medical items came in to the country in excess of requirements. The government had to incur significant costs to destroy expired medical items: an uneconomical and ineffective expense.
- A huge amount of used clothes and shoes was sent by foreign countries. It was a major problem to store and sort unused items.
- At the airport and harbour, there was no specific process to clear cargoes and there could have been instances of illegal items such as bombs, weapons, etc. coming into the country. As this is a country with ethnic conflicts, this was a high-risk situation.

- Some food items were labelled in unreadable languages and were accordingly difficult to identify.
- Some food items expired after one or two days.
- Lack of stores facilities.
- There was no monitoring and supervision of supplies given by donors, especially by UN agencies.
- Vehicles were hired from distant areas and their transportation to affected areas was expensive.

As this was the first catastrophe of its kind in the history of Sri Lanka there was no preparedness and no plans in place to protect people from the disaster and to mitigate the damage. There was no specific way of communicating the disaster to the general public. Due to this a train travelling to Galle was washed into the sea. Responsibility for this lies especially with the following governmental institutions:

- Geological Survey and Mines Bureau
- Department of Meteorology
- Research and Observation Division of the University of Peradeniya.
- Department of Coast Conservation.
- Mass Media Network
- Defence forces

Appendix XIII United Kingdom

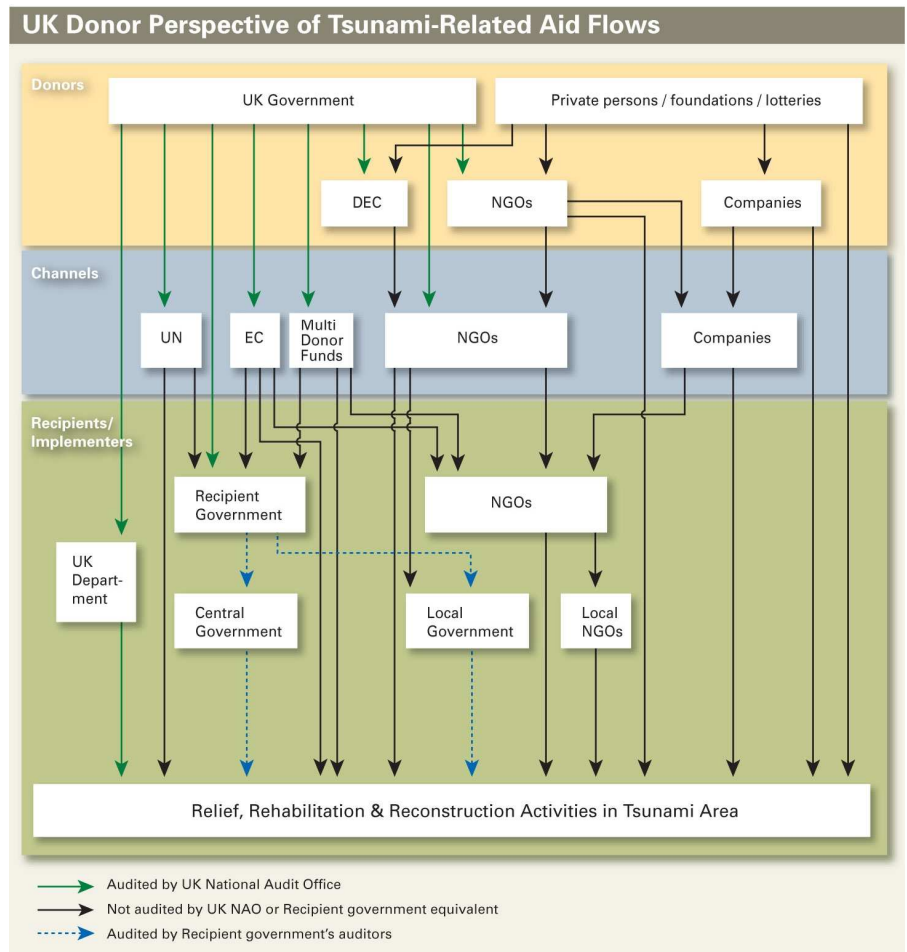
This country report was prepared by the Supreme Audit Institution of the United Kingdom, the National Audit Office (NAO). It presents the most important issues regarding accountability for and transparency of British Tsunami-related aid flows.

Funding from UK sources for assistance following the 2004 Tsunami amounted to at least GBP 696 million, including GBP 290 million provided by UK central government, GBP 320 million by the general public and GBP 50 million from companies.

The Department for International Development (DfID) pledged GBP 75 million for immediate humanitarian aid, and disbursed GBP 64 million during 2005.

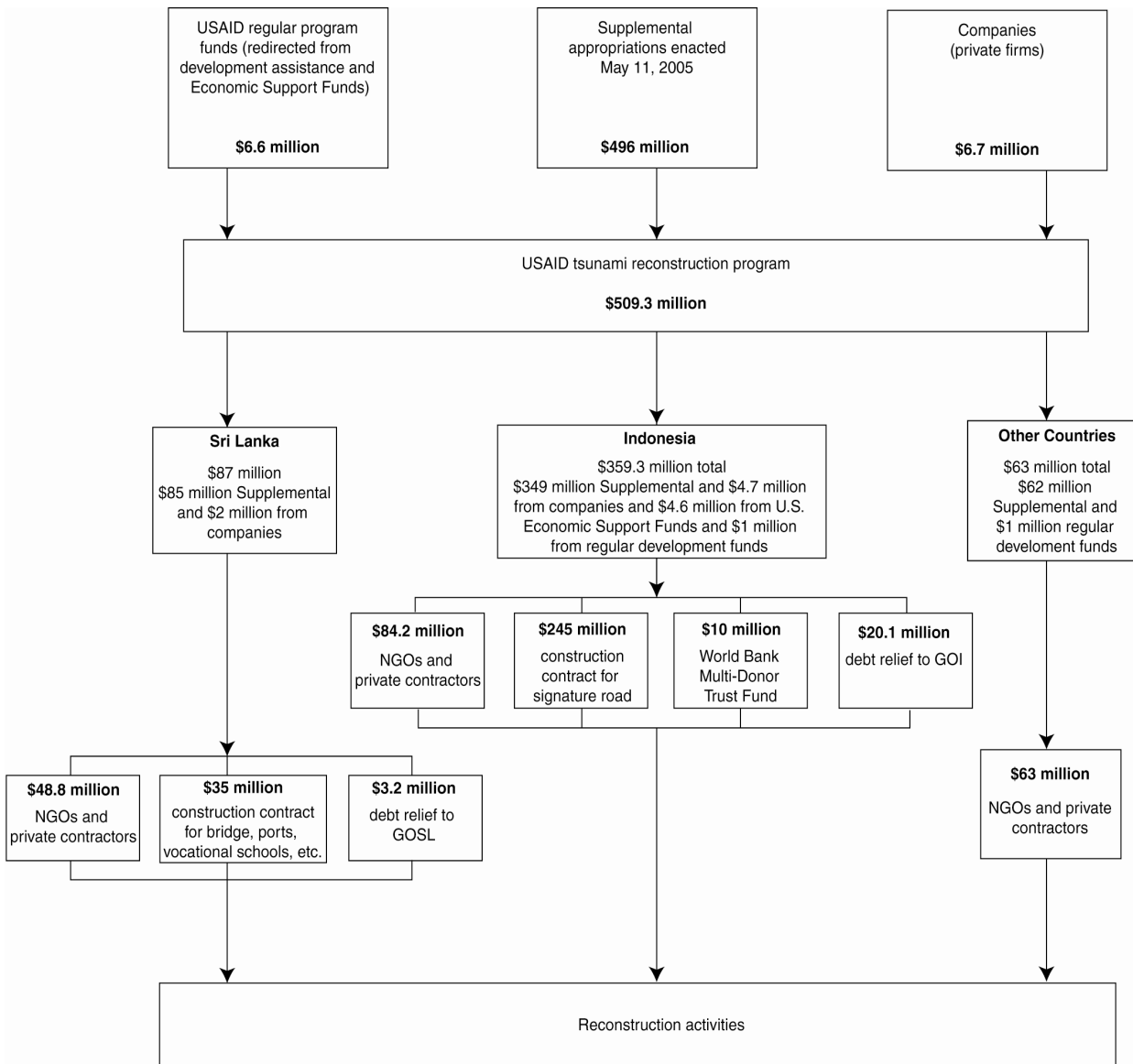
Whilst it has proved to be a relatively straightforward matter to trace the source(s) of funds from DfID and the main fundraising body for UK charities (the Disaster Emergency Committee), it became increasingly difficult to follow such funding as it passed through various partner bodies to ground level. This difficulty was not due to the failure by NGOs or other actors to comply with accounting standards: rather, it was due to the fact that NGOs' financial statements are not required to report separately on any single disaster (such as the Tsunami), or even upon their activities in any one recipient country.

A major lesson to emerge from the Tsunami disaster was that coordination among the many actors (UN, donor governments, recipient governments, NGOs, etc.) required improvement. [Such improvements seem to have been secured in more recent disasters, such as the 2005 Pakistan earthquake]. Other issues to emerge from the Tsunami experience are that the degree of transparency as regards UN spending is less than ideal, and that the time taken for NGOs to complete the cycle of accountability by rendering audited statements of expenditure to their funding body (e.g. DfID) can be very lengthy.

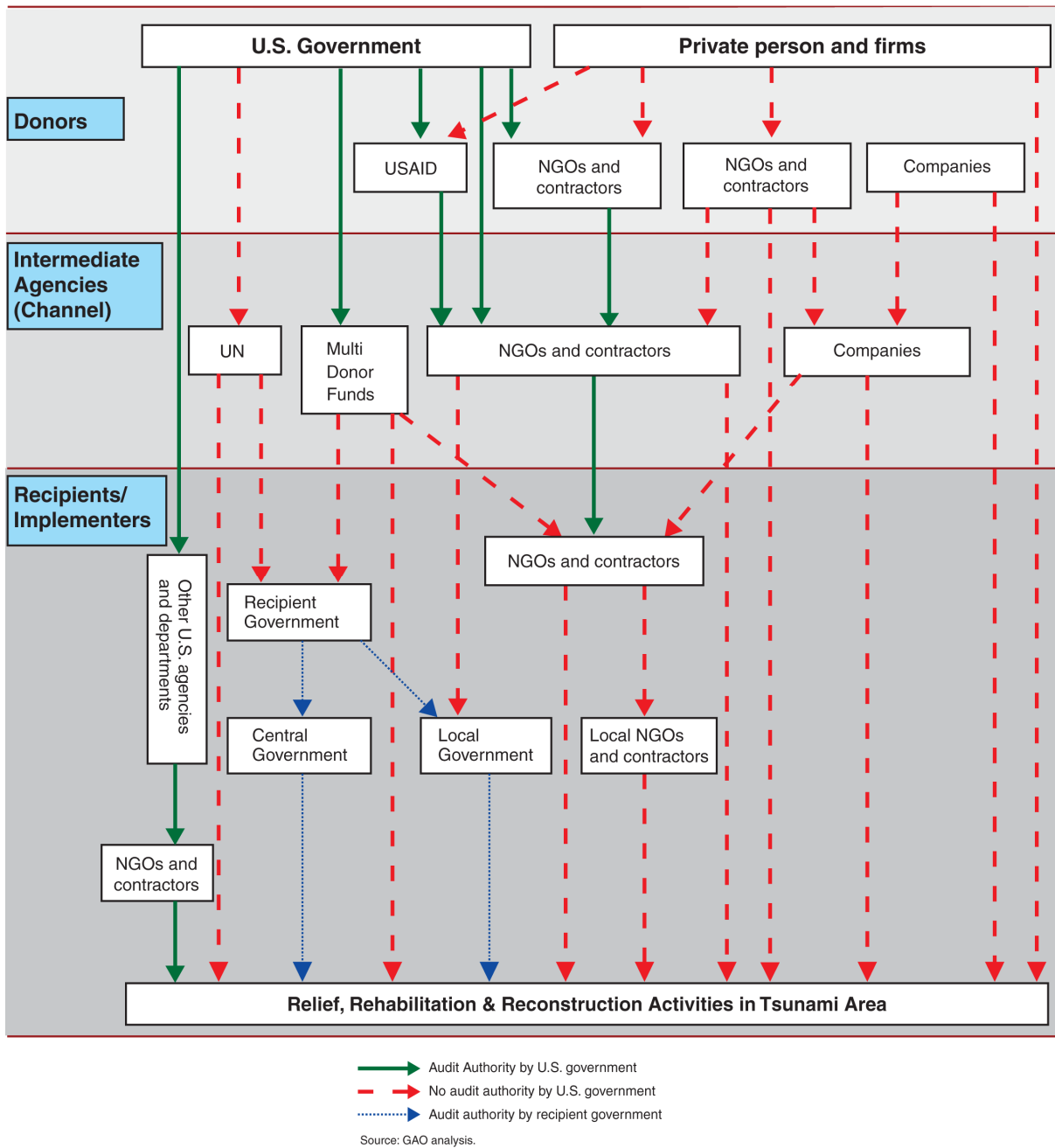


Appendix XIV United States

This country overview was prepared by the Supreme Audit Institution of the United States, the Government Accountability Office (GAO). In the first figure an overview is given of the flow of American funds for the Tsunami-affected countries. In the second figure the flow chart shows the audit mandate of the GAO on these flows.



Source: GAO.



For more information we refer to the following reports of the GAO:

- Foreign Assistance: *USAID Has Begun Tsunami Reconstruction in Indonesia and Sri Lanka, but Key Projects May Exceed Initial Cost and Schedule Estimates.* April 14, 2006 (Report number GAO-06-488);
- Foreign Assistance: *USAID Signature Tsunami Reconstruction Efforts in Indonesia and Sri Lanka Exceed Initial Cost and Schedule Estimates, and Face Further Risks.* February 28, 2007 (Report number GAO-07-357).