Task Force on the Accountability for and Audit of Disaster-related Aid

Lessons on accountability, transparency and audit of Tsunami-related aid

10 November 2008

Netherlands Court of Audit, Lange Voorhout 8, P.O. Box 20015, 2500 EA The Hague, The Netherlands

Contents

Preface

In January 2005, soon after the Indian Ocean Tsunami, we, the community of Supreme Audit Institutions (SAIs), realised that this terrible disaster would also have an effect on us. As SAIs, we have a role in safeguarding the spending of public funds and public funds have played an important role in addressing the needs of the societies affected by the Tsunami.

Under a mandate from the International Organisation of Supreme Audit Institutions (INTOSAI), a broadly representative task force embarked on a journey, a search for a global audit trail of Tsunami-related aid flows from source to destination, from donor to recipient. Our aim has been to use the results of our journey to formulate conclusions and lessons learned and so contribute to the further enhancement of transparency and accountability, not only of Tsunami-related aid flows but also of disaster-related aid in general.

The character of our activities has been truly innovative for the SAI-community. Our hands-on approach within the INTOSAI Task Force has enabled us to facilitate cooperation and the exchange of information and know-how among SAIs and between SAIs and other relevant stakeholders, such as governments, international and multilateral organisations, non-governmental organisations (NGOs), universities and private organisations. The Task Force is confirmation of INTOSAI's commitment to social relevance and to good governance, transparency and accountability where public interests are at stake, as formulated in INTOSAI's strategy (www.intosai.org).

It is with great pleasure and pride that I present the final results of the INTOSAI Task Force on the Accountability for and Audit of Disaster-related Aid. The conclusions and lessons learned from our search for a global audit trail of Tsunami-related aid flows can be read in this report, its appendices and the country reports prepared by the members of the Task Force and published on our website, www.intosai-tsunami.org.

INTOSAI believes transparency, accountability and audit of disaster-related aid is an important issue. I am therefore very grateful that the XIX Congress of INTOSAI (Mexico, November 2007) decided to continue the Task Force's work through an INTOSAI Working Group on the Accountability for and Audit of Disaster-related Aid. The Working Group will use the lessons learned in this report as a stepping stone to develop guidance for SAIs and other stakeholders on the transparency, accountability and audit of disaster-related aid. The Working Group will be chaired by the European Court of Auditors.

I would like to express my sincere gratitude to my Vice-Chairs, the SAIs of Indonesia and Korea, my colleagues in the Task Force and within INTOSAI, the donors who supported our activities and the experts who shared their knowledge and experience with us in working towards a common objective.

Finally, I want to conclude with INTOSAI's motto: "Experientia mutua omnibus prodest". With so many dedicated professionals and volunteers it must be possible to take the steps necessary to enhance the transparency, accountability and audit of disaster-related aid. I am fully aware of how ambitious this objective is, but with the concerted effort of all stakeholders, including the SAI-community, we can help assure donors and victims that the aid is spent well and we can learn how to do better when another disaster happens.

Saskia J. Stuiveling
Chair of the INTOSAI Task Force on the Accountability for and Audit of Disaster-related Aid (2005-2008)
President of the Netherlands Court of Audit

Executive summary

Introduction

Natural disasters such as the Indian Ocean Tsunami of 26 December 2004 have demonstrated that such calamities pose problems of a specific kind, necessitating numerous and varied aid measures. Emergency aid, humanitarian aid, rehabilitation and reconstruction are complemented by capacity building in the fields of anti-corruption, good governance, accountability and financial transparency. There is also a need for comprehensive coordination of the various stakeholders involved.

Disaster-related aid can be seen as a flow of resources (in cash or in kind) from a source (donor) to a destination (recipient) and a flow of information from recipient to donor. Donor and recipient want assurances on the following questions:

- *Has the aid pledged been provided (trust)?*
- *Has the aid provided been spent on its intended purpose (regularity)?*
- *Has the aid provided been spent in the most efficient way (efficiency)?*
- *Has the aid provided has been spent in the most effective way (effectiveness)?*

These questions cannot be answered without an audit trail. Due to the international character and complexities of the humanitarian aid sector, however, it is fairly difficult to construct an audit trail and therefore to answer the questions of trust, regularity, efficiency and effectiveness. That is why INTOSAI as an autonomous, independent, non-political organisation decided to set up the Task Force on the Accountability for and Audit of Disaster-related Aid. It did so in the belief that it should contribute its collective experience to enhancing accountability for disaster-related aid spending and to promoting transparency.

This report presents the most relevant lessons learned by the Task Force regarding the transparency, accountability and audit of disaster-related aid, with a special focus on the Tsunami. By means of this report we want to answer the following question:

What can we learn from the Tsunami case and other disasters regarding transparency, accountability and audit to be better prepared for another disaster?

Need for a sector-wide overview

When a natural disaster occurs with the magnitude of the Tsunami of 26 December 2004, it is crucial to obtain information on the needs of the societies affected and on the aid multiple stakeholders provide to address those needs. A sector-wide overview is necessary to plan and monitor the international aid flows intended to address the needs of societies affected. Without an overview, there is a serious risk both of waste and of unhealthy competition in the provision of disaster-related aid. Unhealthy competition combined with a lack of accountability can also lead to serious risks of fraud, corruption and inefficiency during the flow of aid from source to final destination. Lack of transparency and overview also prevents learning from the provision of aid at an international level and therefore impedes preparedness the next time a disaster occurs.

We assessed whether the databases already in place to plan, coordinate and monitor disaster-related aid provided an overview and an audit trail of Tsunami-related aid. The databases in question are the financial tracking service and the expenditure tracking service of the United Nations Office for the Coordination of Humanitarian Affairs (UN OCHA) and the Development Assistant Databases (DADs) in the countries that were affected by the Tsunami and received international assistance. We concluded that these databases are a major source of transparency but do not provide a complete or reliable overview of the international flows of aid for the Tsunami countries. Based on our knowledge and experience as SAIs we believe the following conditions must be satisfied to create transparency at an international level:

- Databases for disaster-related aid should contain complete, reliable, timely and comparable data;
- Databases for disaster-related aid should contain information on the reliability and timeliness of the data: has the information been verified or audited? When was the information collected?;
- Databases for disaster-related aid should contain data over the full period of relief, rehabilitation and reconstruction.

Need for single information

Given the lack of a sector-wide overview, the Task Force tried to establish an overview of Tsunami-related aid based on the accountability information provided by individual stakeholders in certified annual reports and accounts.

We found that most organisations involved in the provision of Tsunami-related aid complied with applicable accountability rules and regulations and in many instances provided more information than required. Nevertheless, it was extremely difficult to follow aid from source to destination and significant amounts of aid could not be identified. Data were missing on the destination and purpose of Tsunami-related aid and data could not be compared from one organisation to another. The lack of an audit trail of Tsunami-related aid is due to the room for interpretation of the applicable accountability rules and regulations and to the lack of standardised definitions and accounting and reporting standards.

One solution to the lack of an audit trail for disaster-related aid would be the international agreement of a single information structure containing standardised financial and performance accountability information that matches the information needs of the stakeholders. The Task Force recognises the challenges of establishing a single information structure in the humanitarian aid sector. At present, humanitarian aid organisations have to report to a variety of stakeholders that have a variety of reporting and accountability requirements, and have to provide a level of assurance to their accountability organisations (for instance an unqualified opinion by an external auditor). The absence of a single information structure is also felt by public entities in recipient countries. An information structure would reduce the administrative burden on the recipients, whose management capacity is presumably already stretched by the disaster. In addition, it would enhance the transparency of planning, monitoring and auditing disaster-related aid. A single information structure should be based on standardised definitions that increase transparency and enable an audit trail and the measurement of performance.

Auditing Tsunami-related aid

We found that the disaster-related aid databases did not contain sufficiently reliable data to provide assurances on the spending of aid (data are neither verified nor audited). We also found that the accountability information issued by individual organisations was not intended to provide assurances on the spending of aid, but on the proper accounting, management control and supervisory arrangements with partner organisations. Furthermore, not all organisations have to provide assurances on their handling of aid and where assurance is provided it is not always clear what the scope of that assurance is and what criteria, definitions and standards were used. In most cases, therefore, we cannot establish an audit trail based on assured information.

We also found that the SAIs' ability to provide assurance on disaster-related aid was limited by their mandates and by the lack of an audit trail of disaster-related aid flows. The lack of an audit trail means aid loses its identity between source and destination: it becomes unclear whether aid is still public or whether it is private or mixed. This leads to a lack of clarity on who has the mandate to provide assurances on the spending of aid flows. Furthermore, we found that assurance-providing activities were generally not coordinated and the results were not widely shared. This leads to duplication of audits and a strong administrative burden on aid agencies that should use their scarce resources to address the needs of the societies affected. SAIs have made a start by sharing audit reports and initiating joint audit missions to exchange information and know-how. The Uited Nations Office of Internal Oversight Services (UN OIOS) has also conducted audits in close cooperation with the United Nations Board of Auditors (UN BoA), but these examples are still exceptions to the rule. At present there is no internationally agreed framework in place for audit coordination and cooperation (single audit framework). Although auditors should step up their coordination and cooperation efforts, the prerequisite for a single audit framework would be the establishment of a single information structure based on harmonised accountability arrangements, reporting standards and definitions. If different accountability arrangements are applicable to every donor-implementer relationship, assurance can be provided only on each arrangement, without the benefit of individual donors or recipients obtaining a more comprehensive view of how aid is being distributed and people in need are being helped. If information were audited in a widely accepted single information structure, the results could be used in other audits without the information itself having to be re-audited. This would reduce the administrative burden of audits and allow for better use of scarce and costly capacity.

The SAIs in the Harmonisation of Overseas Audit Practices (HOAP) group have been working for several years on the harmonisation of audit arrangements in the field of development aid, focusing in particular on budget support. This initiative has been stimulated by developments in donor harmonisation. In the field of disaster-related aid, the Task Force believes further audit harmonisation is necessary based on the various accountability arrangements it found. The Task Force recommends that the relevant stakeholders align their accountability arrangements in order to increase audit efficiency and reduce the administrative burden on auditees. This could be done in a step-by-step process in which various groups of stakeholders, including multilateral institutions such as the

United Nations and the World Bank (WB) and important donor countries such as the members of the Organisation for Economic Co-operation and Development Development Assistance Committee (OECD DAC), first align arrangements within their own communities and later develop a widely accepted single information structure.

We also recommend that audit information be shared more widely. This would enhance the efficiency of the overall assurance of disaster-related aid and the use of audit as a learning tool. The sharing of audit results is in accordance with the World Bank's policy of supporting the public availability of information on public finances by encouraging borrowers to publish all audit reports on activities financed by the World Bank. The availability of audit reports could be included in future Memoranda of Understanding (MoUs) and contracts regarding disaster-related aid between donor organisations and implementing/recipient organisations.

Geographical Information System(GIS) and auditing disaster-related aid
Geographical information is an important aspect of disaster-related aid. Providing aid for a disaster entails a geographical movement from source to destination (be it national or international). The Task Force believes insight into this geographical movement enables the construction of an audit trail. Furthermore, disaster-related aid is intended to address needs at a specific location. The efficiency and effectiveness of aid provision at a specific location is determined largely by the location's geographical context, for example available infrastructure, impact of the disaster, demographic structure, soil characteristics, etc.

The Task Force concluded from its study that geographical information should be used to plan, coordinate and monitor disaster-related aid in order to prevent waste, duplication, negative consequences of competition between aid organisations, fraud and corruption. Geographical information should, according to the Task Force, be part of a single information structure for disaster-related aid as described in the previous sections. The Task Force found that geographical information could also facilitate more efficient and effective audits of disaster-related aid. To audit disaster-related aid, geographical information can be used in the assessment of risks, the design of the audit, the conduct of the audit and the analysis and communication of the audit results.

Agenda 2008-2010

The triennial INTOSAI Congress in Mexico approved the Task Force's proposal to broaden its scope from Tsunami-related aid to disaster-related aid in general and for it to be succeeded by a formal INTOSAI Working Group. The Working Group, chaired by the European Court of Auditors, will continue with the main issues that emerged from the Task Force's efforts to establish an audit trail of Tsunami-related aid: a lack of an internationally accepted and applied information structure (single information structure), a lack of an international framework for the conduct of efficient and effective audits (single audit framework) and the adoption of new technologies to audit disaster-related aid by SAIs.

The importance of these issues varies from one stakeholder group and channel to another. To secure a single information structure for disaster-related aid and its efficient and effective audit, the Task Force's successor (the Working Group) will seek close cooperation with the various stakeholder groups and channels. As stated above, this ambitious objective cannot be achieved without a concerted effort by all stakeholders. The approach should be tailor-made: the Working Group will support and motivate every stakeholder in the most suitable way and through the most appropriate entry point. The Working Group has developed a Working Programme (available on the website, www.intosai-tsunami.org) for the coming period based on the Task Force's findings and structured on the following stakeholder matrix:

Stakeholder matrix:

Issue/Channel	**Multilateral institutions**	**Aid organisa-tions (NGOs, Red Cross)**	**Private sector auditors**	**Auditees (government, EU)**	**INTOSAI and its member SAIs**
Single information					
Single audit					
GIS/RS					

1 Introduction

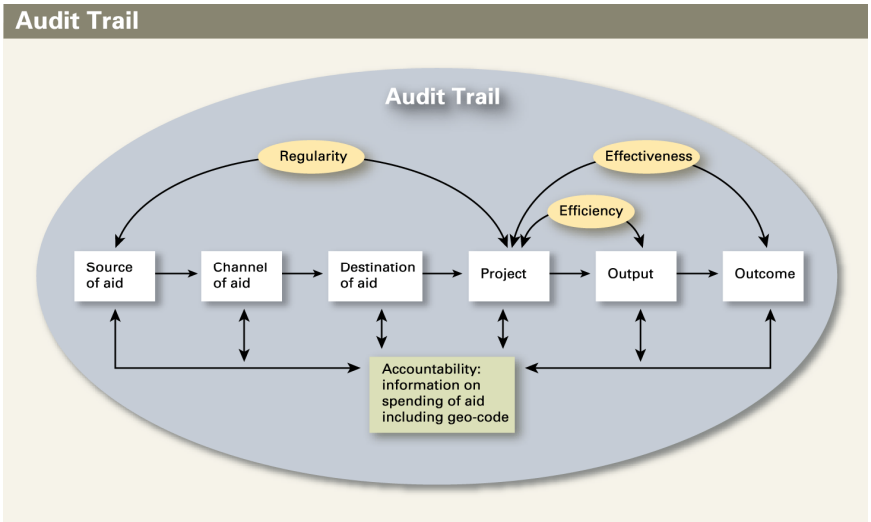
1.1 Purpose of this document

Disaster-related aid can be seen as a flow of resources (in cash or in kind) from a source (donor) to a destination (recipient) and a flow of information from recipient to donor. The relationship between donor and recipient is at its core a simple linear one.

Donor and recipient want to have assurance on the following questions:

- *Has the aid pledged been provided (trust)?*
- *Has the aid provided been spent on its intended purpose (regularity)?*
- *Has the aid provided been spent in the most efficient way (efficiency)?*
- *Has the aid provided has been spent in the most effective way (effectiveness)?*

These questions cannot be answered without an audit trail:



Due to the international character and complexity of the humanitarian aid sector it is fairly difficult to construct an audit trail and therefore to answer the questions of trust, regularity, efficiency and effectiveness:

That is why the Task Force on the Accountability for and Audit of Disaster-related Aid gathered lessons on how to establish an audit trail to improve preparedness for other disasters. The Task Force gathered lessons from three sources:

1. Establishing an insight into Tsunami-related aid flows;
2. Audits, evaluations and reports on disaster-related aid (broader than the Tsunami alone);
3. GIS & Audit pilot study.

This report presents the most relevant lessons learned by the Task Force regarding the transparency, accountability and audit of disaster-related aid, with a special focus on the Tsunami. By means of this report we want to answer the following question:

What can we learn from the Tsunami case and other disasters regarding transparency, accountability and audit to be better prepared for another disaster?

1.2 INTOSAI Tsunami Initiative

Recent natural disasters such as the Indian Ocean Tsunami of 26 December 2004 and natural disasters on various continents in the period after the Tsunami (2005-2008) have demonstrated that such calamities pose specific problems, necessitating numerous and varied aid measures. Emergency aid, humanitarian aid, rehabilitation and reconstruction are complemented by capacity building in the fields of anti-corruption, good governance, accountability and financial transparency. There is also a need for comprehensive coordination of the various stakeholders involved.

As an autonomous, independent, non-political organisation, INTOSAI believes it should contribute its collective experience to enhancing accountability for disaster-related aid spending and to promoting transparency. The 54th meeting of the Governing Board of INTOSAI, held in Vienna in November 2005, therefore decided to create a Task Force on the Accountability for and Audit of Disaster-related Aid, chaired by the SAI of the Netherlands with two Vice-Chairs, the Badan Pemeriksa Keuangan (BPK) of Indonesia and the Board of Audit and Inspection (BAI) of Korea.

It was agreed that the Task Force would not be engaged directly in auditing. The Task Force would promote the exchange of information to identify a global audit trail and prepare the ground for a meaningful and effective coordination of audits. It would enhance the transparency of flows of funds from donors to recipients and identify the role of international organisations (multilaterals, NGOs). Based on lessons learned, it would develop best practices for Supreme Audit Institutions, national governments, international institutions and NGOs to enhance accountability for disaster-related aid.

The Task Force was linked to strategic goal 3 in the INTOSAI Strategic Plan 2005-2010, "Knowledge sharing/Knowledge services". The goal liaison for the Task Force was the SAI of India.

In the final proposal for the establishment of the Task Force, the Governing Board agreed upon the following four work packages for the Task Force:

1. Framework for the exchange of information;
2. Internet Communication Forum;
3. Formulating Guidelines for Supreme Audit Institutions on the Audit of Disaster-related Aid;
4. Formulating best practices and recommendations to improve the transparency and accountability of disaster-related aid for all stakeholders.

The four work packages were realised in two phases:

- Work Packages 1 and 2: establish an audit trail for Tsunami-related aid;
- Work Packages 3 and 4: establish a potential audit trail before a natural disaster happens.

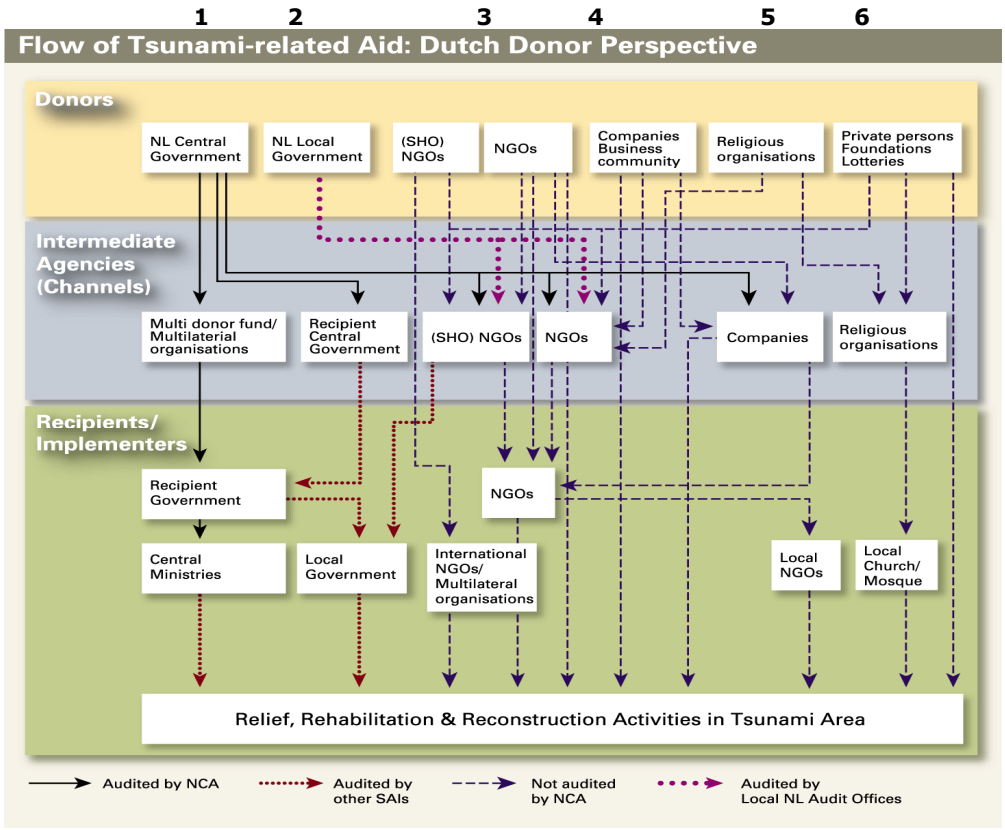
Lessons learned would be gathered from establishing the audit trail for Tsunami-related aid. The Task Force would use these lessons and lessons learned from other natural disasters such as Hurricane Katrina and the earthquakes in Indonesia and Pakistan to flesh out the most important issues regarding accountability for and transparency of aid flows and to formulate recommendations to enhance accountability for and transparency of aid flows. The Task Force would use the lessons learned and the recommendations to develop best practices for relevant stakeholders such as national governments, international institutions and NGOs regarding accountability for disaster-related aid and to develop guidance for Supreme Audit Institutions regarding disaster-related aid.

1.3 Background information

1.3.1 Humanitarian aid sector

Many organisations participated in the Tsunami-related aid. How can we distinguish these individual organisations and how can we distinguish between donors, appealing and implementing agencies, particularly when organisations take on multiple roles?

We developed the following matrix for this purpose:



In this matrix we defined 6 major stakeholder groups:

1. Central Government
2. Local Government
3. NGOs
4. Business community
5. Religious organisations
6. Private foundations, lotteries etc.

These stakeholder groups are present in most countries and they act in the following roles.

A. Donors
B. Intermediate Agencies/Channels
C. Recipients/Implementers

The matrix above gives an indication. We use the following criteria:

A. Donor
A donor is a national government, agency or private organisation that raises money and makes a contribution relating to a consolidated appeal. (An appealing organisation can be a government, umbrella organisation, an agency, an NGO, etc. requesting funding for specific projects.)

B. Channel
Appealing and coordinating organisations. In this role they do not raise funds or operate within projects themselves. The channel is an intermediate organisation (or chain).

C. Recipient/implementer
An implementer collaborates with the appealing organisation to implement projects, usually on a sub-contract status.
(Implementers can be governmental organisations, national or international NGOs or other organisations.)

1.3.2 Key terms used[1]

Pledge
A grant or loan of resources promised by a donor over one or a fixed number of years.

Commitment
A firm, written agreement to provide funds for a particular project (or to a Trust Fund). The Commitment Date is the date of the written agreement. Commitments are usually multi-year – i.e., they are designed to fund expenditures for several years.

Disbursement
The placement of resources at the disposal of the government, implementing agency, contractor or Trust Fund administrator. The Disbursement Date is the date on which the funds were provided – usually this involves the transfer of funds to the implementer's bank account or the draw down by the implementer of funds held in an account by the donor.

Expenditure
The amount spent by the implementing partner to deliver the project. Expenditure may include both expenditure by the implementing partner

[1] The Task Force uses similar definitions to those used in the Development Assistance Databases.

itself on equipment, salaries, etc., and the amount paid by the implementer to a Second Level Contractor for the provision of services.

Purpose of aid
Assistance can be classified as emergency relief, rehabilitation and reconstruction. Internationally there are many different definitions of these classifications or stages of aid delivery. We found that standard definitions were not used. No clear lines can be drawn between humanitarian assistance, rehabilitation and reconstruction: they partially overlap and are often implemented as parallel processes. The Task Force has identified several criteria (target, timing & context and channels & conditions) from the available definitions to distinguish between humanitarian assistance, rehabilitation and reconstruction. From the variety of definitions available of the terms and classifications, we constructed the following descriptions:

- *Humanitarian assistance (relief): i*s directed at saving lives.
- *Rehabilitation:* is the response to the "gap" between immediate humanitarian assistance and long-term development activities (i.e. *reconstruction*).

Single information, single audit
In 2004 a review was performed in the Netherlands of the earmarked funds that central government provides to local government (municipalities and provinces) and organisations with a public interest (e.g. universities, schools, supervisory boards). One of the main conclusions of the review was that the requirements of central government regarding the accountability information that local government and organisations with a public interest had to provide led to an administrative burden that should be reduced. Every earmarked fund had specific demands on accountability and reporting in terms of *what* information should be provided, but also *when* this information should be provided. The demands varied per earmarked fund, leading to an administrative burden on local government and on organisations with a public interest. It also led to an audit burden for the recipients of the earmarked funds and also for central government because an assurance statement was required per earmarked fund.

The solution was found in applying single information and single audit for the accountability and audit of earmarked funds. This means that local government has to provide sufficient information that addresses the basic information demands of all the earmarked funds it receives in its annual report and accounts. The local government auditor gives an assurance statement on that single information with a scope that includes the

assurance needs of central government. Central government can then rely on the local government auditor's assurance statement instead of conducting an additional audit.

Conditions that should be met for the use of single information and single audit[2]:

- Harmonisation and standardisation of accountability demands;
- Standardised financial accountability information that matches the information needs of the relevant stakeholders;
- Clear criteria and demands guaranteeing a sufficient audit by the auditor of local government or organisation with a public interest;
- Risk based reviews to verify the sufficiency of the audits conducted and follow-up of review findings.

The Task Force sees this development in the Netherlands as an example for the accountability and audit of disaster-related aid. We base this conclusion on our findings on the accountability and audit of Tsunami-related aid that we present in the following chapters. We also want to make clear that establishing a single information, single audit framework in the Netherlands has been a long trajectory that is still continuing today. We do not underestimate the efforts and patience needed to erect such a framework. Nonetheless, we are convinced of the benefits of a single information, single audit framework for the accountability and audit of flows of funds from donor to recipient, being earmarked funds for local governments or disaster-related aid for affected societies.

1.4 Structure of this report

In chapter 2 we present our findings on the need for a sector-wide overview of the planning, coordination, monitoring and auditing of disaster-related aid and on whether such an overview is in place. In chapter 3 we present our findings on the accountability information provided by individual stakeholders and on the sufficiency of this information to establish an audit trail. In chapter 4 we describe the role of SAIs in auditing disaster-related aid and the challenges that SAIs face. In chapter 5 we present the added value of using GIS for auditing disaster-related aid. In chapter 6 we conclude with an overview of the lessons learned and the agenda of the Working Group on the Accountability for and Audit of Disaster-related Aid for the period 2008-2010.

[2] Netherlands Ministry of Finance (2005). Implementation of single audit ('Uitvoering motie single audit'). CAD 2005-00188 M.

2 Need for a sector-wide overview

2.1 Conclusion

When a natural disaster occurs with the magnitude of the Tsunami of 26 December 2004 it is crucial to obtain information on the needs of the societies affected and on the aid that is provided to address those needs. Aid is essentially a simple linear relationship between a donor and a recipient but in the case of major disasters this simple relationship evolves into a complex one, where multiple stakeholders interact to address the needs of the societies affected. This makes information an even more crucial element to manage the disaster and the needs. We studied information databases that are in place to plan and monitor disaster-related aid. We assessed whether the databases provided an insight into what aid had been pledged, committed, disbursed and finally expended and whether we could track the aid donated for the countries affected by the Tsunami from source to destination: in other words whether there was an audit trail.

After studying the existing United Nations (UN) databases and the information available on donor and recipient countries of Tsunami-related aid, we came to the following conclusions:

- The humanitarian aid sector is complex in terms of the many stakeholders that interact in various ways with each other and play multiple roles;
- There is no complete overview of the relevant stakeholders, the aid handled by them or the financial flows between stakeholders;
- The information in the databases that are in place at the UN, the Expenditure Tracking Service (ETS) and the Financial Tracking Service (FTS), is not reliable enough to plan and monitor international aid flows nor sufficient to facilitate an audit trail from source to destination;
- The major donor countries do not have a national overview of aid flows for specific disasters, even though fundraising has a national character due to media attention;

- Recipient countries are better informed by the Development Assistance Databases but still lack sufficiently reliable and specific (e.g. geographical) information to plan, coordinate and monitor aid flows.

A sector-wide overview of international aid flows is necessary to plan and monitor aid flows intended to address the needs of societies affected by disaster. Without an overview, there is a serious risk both of waste and of unhealthy competition regarding the provision of disaster-related aid. Unhealthy competition combined with a lack of accountability can also lead to serious risks of fraud, corruption and inefficiency during the transfer of aid through the chain selected or in the recipient country. Lack of transparency and overview also prevents learning from the provision of aid at international level with a view to greater efficiency and effectiveness the next time a disaster occurs.

2.2 Complexity of the aid sector

Disaster-related aid can be seen as a flow of resources (in cash or in kind) from a source (donor) to a destination (recipient) and a flow of information from recipient to donor. The relationship between donor and recipient is essentially a simple linear one.

The humanitarian aid sector consists of a wide variety of organisations that play different roles and interact with each other in various ways. For example: according to the TEC (Tsunami Evaluation Coalition) report *Funding the Tsunami Response,* the aid donated following the UN Consolidated Appeal for the Tsunami-affected areas came not only from the more traditional countries, such as the OECD-DAC members, but also

from 77 non-OECD-DAC countries, 20 UN and other international organisations and 27 NGOs[3].

We have clustered the organisations involved in the provision of Tsunami-related aid as follows:

- Central government
- Local government
- Non-governmental organisations (NGOs)
- International NGOs (INGOs)
- Companies/business community
- Religious organisations
- Private persons
- Foundations
- Lotteries
- Multilateral Financial Institutions
- Intergovernmental Institutions

Our study found that organisations play different roles:

- Organisations that act as fundraisers and as implementers;
- Organisations that act as fundraisers and, in cooperation with local partners, as implementers;
- Organisations that act as fundraisers and channel funds through international organisations, such as the international headquarters of NGOs or UN and multilateral financial institutions;
- Organisations that act as distributors of the funds raised.

The complexity of the chains involved can be illustrated by examples from the country reports issued by the members of the Task Force and by the aid flow diagrams we have constructed on a country-by-country basis (see appendices to this report and the individual country reports on our website www.intosai-tsunami.org).

On the basis of our study and the country reports we concluded that in reality the humanitarian aid sector is highly complex.

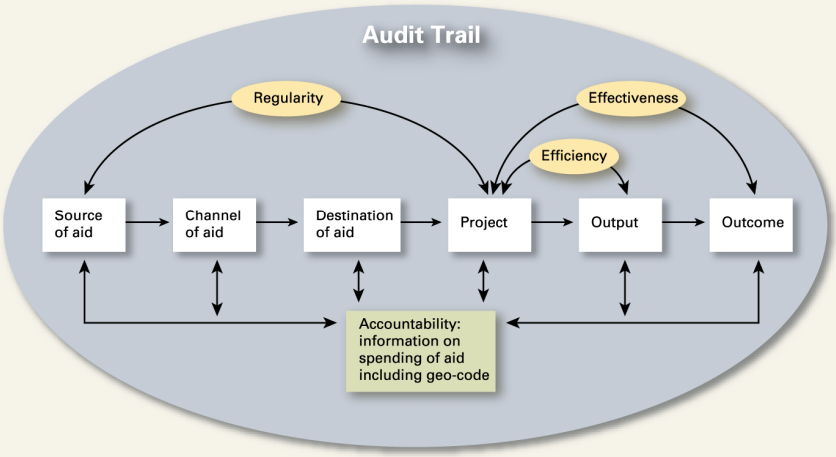
[3] http://www.Tsunami-evaluation.org/NR/rdonlyres/BBA2659F-967C-4CAB-A08F-BEF67606C83F/0/funding_final_report.pdf

Despite this complexity, assurance is needed on the spending of disaster-related aid. We have formulated the following assurance questions:

- *Has the aid pledged been provided (trust)?*
- *Has the aid provided been spent on its intended purpose (regularity)?*
- *Has the aid provided been spent in the most efficient way (efficiency)?*
- *Has the aid provided been spent in the most effective way (effectiveness)?*

To answer these questions an audit trail is needed:

Audit Trail



Given the international character and complexities of the humanitarian aid sector, it is difficult to construct an audit trail and therefore to answer the questions of trust, regularity, efficiency and effectiveness. What is needed in this regard is sector-wide transparency that provides the information necessary to construct an audit trail of disaster-related aid.

2.3 Sector-wide transparency

2.3.1 Total volume of Tsunami aid

We found that the exact amount of aid pledged, disbursed and expended for the Tsunami disaster is not known. What is available are estimates of the total amount funded and funded amounts per group of donors by, for instance, the United Nations Office of the Special Envoy for Tsunami Recovery, the Tsunami Evaluation Coalition and OECD-DAC. These estimates differ in terms of results and scope. As well as estimates of the total volume, information on Tsunami aid is also available in various aid coordination databases, such as the Expenditure and Financial Tracking Service of the United Nations and the Development Assistance Databases in the countries affected by the Tsunami. In individual donor countries we found no national overview of Tsunami aid.

2.3.2 Estimate of the total volume of Tsunami aid

The United Nations Office of the Special Envoy for Tsunami Recovery estimated that USD 13 billion had been pledged for the Tsunami:

Table 2.1 Distribution and allocation of pledges (international funding) for Tsunami relief and reconstruction

Donor type	**Pledges (USD billions)**	**Percentage of pledges**
Governments (including the European Union)	5,9	45
International financial institutions	2,1	16
Private individuals and companies	5,0	38
Various un-earmarked United Nations funds, transfers within the United Nations and pledges from unspecified donors	0,02	1
Total	**13,02**	**100**

Allocation of pledges	Amount (USD billions)	Percentage of pledges
UN organisations	1,4	10
NGOs and International Federation of Red Cross and Red Crescent Societies [a]	5,5	42
Affected governments [b]	2,1	16
Implementing partners [c]	4,2	32
Total	**13,02**	**100**

Source: Estimated figures compiled by the United Nations Office of the Special Envoy for Tsunami Recovery.
[a] Including Flash Appeal.
[b] Funds from international financial institutions.
[c] Bilateral funding for country recovery plans.

The Funding report of the Tsunami Evaluation Coalition[4] indicates, based on figures from the end of 2005, that in total USD 14 billion was raised and pledged for the Tsunami, of which USD 8,5 billion from governments and USD 5,5 billion from private sources (NGOs, business community, private individuals, etc.).

OECD-DAC figures are available on official development aid (public funds) provided by DAC members. According to OECD-DAC (figures up to September 2005) USD 5,324 million had been pledged, 3,658 committed (of which 1,743 in emergency aid) and 2,061 disbursed (of which 1,588 in emergency aid).

What is quite clear from the information available on Tsunami-related aid is that the amount of private aid was unprecedented. The TEC Funding report states that the International Red Cross and Red Crescent Movement was the single largest recipient of Tsunami-related aid: USD 2,18 billion was collected worldwide, of which 90% from private donors and 10% from governments. Of these funds, 90% was not earmarked.

2.3.3 Aid coordination databases: United Nations

2.3.3.1 Financial and Expenditure Tracking Service of UN OCHA

The United Nations Office for the Coordination of Humanitarian Affairs plays an important role in coordinating disaster-relief efforts. In the event

[4] Tsunami Evaluation Coalition (July 2006), Funding the Tsunami Response, http://www.tsunami-evaluation.org/NR/rdonlyres/BBA2659F-967C-4CAB-A08F-BEF67606C83F/0/funding_final_report.pdf

of a disaster, it gathers information on the needs in the areas affected so that a unified aid appeal can be prepared for the international community to address those needs. Such an appeal is called a Flash Appeal if it is in response to a sudden humanitarian crisis lasting for up to six months. A Flash Appeal may be developed into a Consolidated Appeal if the emergency continues beyond six months. All implementing agencies, ranging from UN agencies, international organisations, the Red Cross Movement and NGOs, are encouraged to list their priority humanitarian projects in a joint appeal.

The Financial Tracking Service, managed by UN OCHA, records and displays all reported humanitarian pledges, commitments and contributions, including those made outside the Appeal. The Tsunami Flash Appeal was launched on 6 January 2005 and has been revised since then.

The FTS reveals (figures as of 7 April 2007) that the Tsunami Flash Appeal raised approximately USD 6,246 billion (contributions and commitments) for the Indian Ocean Tsunami disaster, of which USD 4,137 billion (66%) from private individuals and organisations[5]. UN OCHA indicates that USD 4,7 billion was raised outside the Consolidated Appeal (CAP). This was an unprecedented amount: more than four times the amount requested[6].

The UN OCHA Financial Tracking Service is generally considered to be the best source of information on international disaster-related aid. However, a study by the Task Force and others showed that FTS data are neither up to date nor complete. The total amount registered in the FTS is less than the estimated total volume of Tsunami-related aid. Furthermore, the data in the FTS are provided voluntarily by public and private organisations and are not verified in full or audited. UN OCHA cannot ensure the reliability and completeness of the FTS data.

To track expenditures, UN OCHA has developed the Expenditure Tracking Service. In total USD 879 million has been entered in the ETS for expenditures relating to the Tsunami Flash Appeal (last update 15 December 2006). A total of 45 organisations responded to the Flash Appeal, of which 37 are listed on the ETS site and 17 have not provided expenditure information to ETS, including UN organisations.

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[5] http://www.reliefweb.int/FTS/.

[6] Tsunami Evaluation Coalition (July 2006), Funding the Tsunami Response, http://www.tsunami-evaluation.org/NR/rdonlyres/BBA2659F-967C-4CAB-A08F-BEF67606C83F/0/funding_final_report.pdf, p.31

The OCHA online Relief web indicated that a total of USD 6,2 billion had actually been contributed for Tsunami relief, of which USD 768 million had been spent as at August 2006. However, the expenditures recorded in the OCHA ETS related only to the funds contributed to the Flash Appeal, which amounted to USD 1,1 billion, or 8.4% of the USD 13,02 billion in contributions received for relief and reconstruction (see table 2.1; estimate of the United Nations Office of the Special Envoy for Tsunami Recovery). Most of the remaining funds (USD 11,92 billion; see table 2.1) were being tracked through the UNDP-funded DAD, which is owned and managed by national governments (for more information see section 2.3.4).

The Panel of External Auditors of the United Nations, the Specialised Agencies and the International Atomic Energy Agency (IAEA) issued a report *Observations and recommendations on the intervention of the United Nations, its Funds, Programmes and Specialised Agencies in the aftermath of the Indian Ocean Tsunami of 26 December 2004*. As part of the Panel, the United Nations Board of Auditors found the following shortcomings regarding the monitoring of financial flows:

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 of non-earmarked funds to specific projects.
c. The Office for the Coordination of Humanitarian Affairs did not reconcile the information provided to UN OCHA on expenditures (via ETS expenditure statements) with the financial statements issued by participating agencies.
d. There were inconsistencies between the ETS figures, the donor assistance database figures, and the Recovery Banda Aceh Nias Database figures. For instance, as at 31 December 2005, ETS indicated that Flash Appeal agencies had received USD 357,4 million for Indonesia, whereas the Recovery Aceh Nias Database (RAND), which had a wider scope, showed only USD 295,1 million. The discrepancies for individual agencies varied by between 97 and 510%.

Even though reminders were sent to agencies, OCHA had no means to compel them to submit data. Some agencies changed or realigned their Flash Appeal projects without informing ETS of the changes (i.e., increase/decrease in project requirements; merger of several projects;

cancellation of projects). However, for want of sufficient manpower the Office was unable to follow up these cases at all agencies.[7]

2.3.4 Aid-coordination databases: recipient countries

To coordinate and track development assistance, the United Nations Development Programme (UNDP) and a private company developed the Development Assistance Databases. In the countries most affected by the Tsunami these databases were implemented to help national and local governments manage the influx of aid. Thanks to the DADs, recipient countries have better information than donor countries that have no central database for disaster-related aid (see section 2.3.4).

The agency for the rehabilitation and reconstruction of Aceh Nias (BRR) reports the following amounts of Tsunami-related aid for Indonesia based on figures at the end of 2006[8] :

	Committed but not allocated (USD billion)	**Allocated funds (USD billion)**
Donors	1,1	2,1
NGOs	0,4	1,6
Government of Indonesia	0,5	2,2
Total	**2,0**	**6,0**

The Reconstruction and Development Agency that coordinated the Tsunami-related aid in Sri Lanka (RADA) reports the following amounts of Tsunami-related aid for Sri Lanka based on figures of the end of 2006[9]:

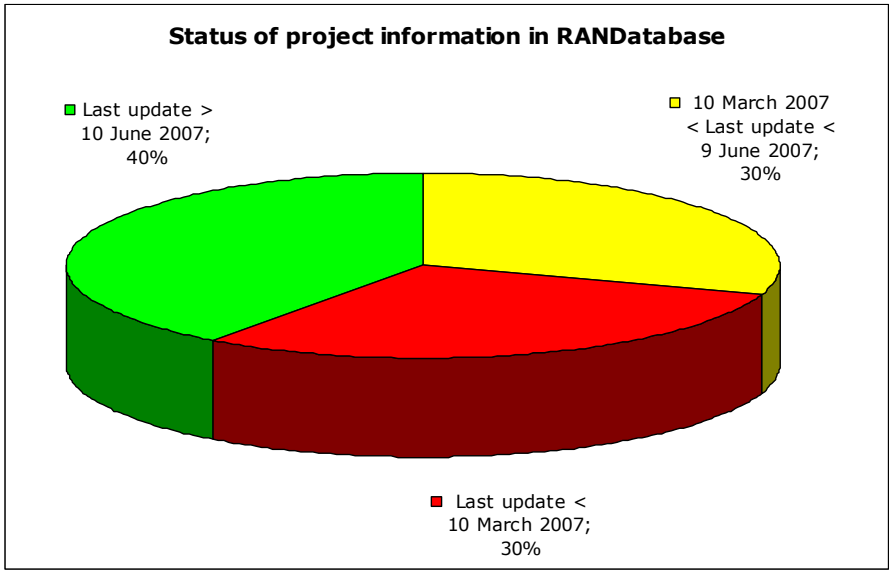
[7] Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency (2006), *Observations and recommendations on the intervention of the United Nations, its Funds, Programmes and Specialized Agencies in the aftermath of the Indian cean tsunami of 26 December 2004*.

[8] BRR and partners (2006), *Aceh and Nias Two Years After the Tsunami, 2006 Progress Report*.

[9] Ministry of Finance and Planning and Reconstruction and Development Agency (2006), Post-Tsunami Recovery and Reconstruction: December 2006.

	Pledges (USD million)	Commitments (USD million)	Expenditure (USD million)
International NGOs	378	272	171
International organisations	444	319	76
United Nations	240	109	65
National NGOs	31	22	9
Private sector/firms	16	16	7
To be specified	1	1	0
Bilaterals	491	911	261
Multilaterals/IFIs	339	396	125
External Funding	1,940	2,046	714
Grand total	**3,402**	**2,990**	**1,095**

Regarding the reliability of the information, the DADs suffer some of the same problems as the UN OCHA ETS/FTS databases. The data in the DADs are provided on a voluntary basis. Our study found that the information in the Indonesian DAD, the RANDatabase, is not regularly updated. The RANDatabase is managed by the agency responsible for the rehabilitation and reconstruction of Aceh (BRR). In addition, the database is not designed to track aid flows but to provide information at project level. The information in the DAD is neither verified nor audited. The following chart illustrates the timeliness of data entry in the RANDatabase as of 18 July 2007 (2.5 years after the Tsunami).



Source of data: BRR

The DAD stores donor-related data up to implementer level only. No other detailed data are available in the current systems. Tracing the funds pledged and committed requires a follow-through from the source documents, such as MoUs and agreements. Another issue is related to the

lack of geographical information provided and captured in the DAD. Project information is provided at regional level but not at village or geographical coordinate level (i.e. longitude and latitude). This hampers not only the tracing of aid from source to destination but also the planning, coordination and monitoring of aid.

Furthermore, the donors' own reporting and classification requirements differ from those required by BRR and on-budget by the government of Indonesia. This results in the reporting of different amounts, different headings and classifications. References to governments as donors create problems identifying the entities through which the funds may be channelled and also the recording of certain funds by more than one donor/channel. For example, the Canadian government may channel funds through the Canadian International Development Agency (CIDA), which then channels the funds through the Canadian Red Cross, UNICEF Canada, World Vision Canada and others.

To establish and confirm the trail of funds requires access to initial source documents such as Memoranda of Understanding (MoUs), agreements with the government of Indonesia and agreements with the various channels.

The Task Force members have prepared country reports that contain analyses of the national Tsunami aid flows. The country reports of Norway and the Netherlands were used together with audit reports on Australian, American and Canadian aid to match donor information with the records in the Development Assistance Database of Indonesia (RANDatabase). Some amounts and commitments could not be traced in the RANDatabase (see Indonesia country report). It is possible to follow a trail of funds flows only where the donor and the government take a consistent approach to recording and reporting.

ISS review of DADs

The Task Force asked students of the Institute of Social Studies (ISS) in The Hague to review the DADs' utility to civil society as a transparency and accountability tool. The results of the students' review can be found on the website, www.intosai-Tsunami.org. The students came up with the following observations for the DADs:

The added value of DADs:

- DADs allow the identification of the amount committed and disbursed and to be disbursed per donor, project, area, development sector and target.

- They identify the main stakeholders involved.
- They also have a well developed key indicator system that facilitates public reports on performance indicators and type of activity.
- They identify the concentration of projects in the affected areas as a step to prevent overlap or blind spots.
- They are a useful accountability tool that could be used to pressurise both donors and recipients to improve their performance.
- They could serve as a basis or model for a national database that would coordinate and monitor the efforts of various actors involved in development activities.

Suggested areas for improvement for DADs:

- The information provided is not matched to the intended audience as it is too broad and non-specific (no/limited information on goals and the outcome => effectiveness).
- The use of several languages is confusing and the use of different currencies creates reporting difficulties.
- Accessibility and user-friendliness should be enhanced and should be suitable for the technical environment of the host country (internet access, connection speed, continuity of power provision, etc.).
- DADs do not explain project delays, cancellations or suspensions.
- They do not allow the linking of amounts committed/disbursed to specific projects by specific donors, which hampers monitoring.
- They do not allow input at operational level by implementers or contractors.
- Completeness of data (e.g. lack of unit costs of inputs, of information on progress, on number of beneficiaries, on stage of completion and on reasons for delay).
- Uniformity of data: data differ per project, lack of homogeneous information creates reporting difficulties.
- Reliability of data, there is no verification mechanism, such as the status of the information (audited or verified?).

2.3.5 Overview of Tsunami aid at donor level

Due to the lack of an international overview of Tsunami-related aid, the Task Force tried to establish insight at a national level. We found that donor countries lack an overview of Tsunami-related aid (for example a central national database including both government funds and private funds). Although most organisations in donor countries such as Austria, Denmark, the Netherlands, Norway and the United Kingdom present information on their websites about their response, it is not possible to compare this response to the response of other organisations,

governments and UN organisations owing to a lack of harmonised reporting standards and a lack of transparency on criteria, definitions and standards used. We were not able to establish a national overview based on the sum of the information provided by individual organisations (for more information, see chapter 3).

2.4 Lessons for sector-wide transparency

Due to the complexities of the international aid sector, transparency at an international level is necessary, not only to plan and monitor international aid flows but also to reduce the risk of waste, unhealthy competition, fraud and corruption. Transparency at an international level would also facilitate learning by evaluation, verification and audit with the aim of becoming more efficient and effective the next time a disaster happens.

We concluded from our study that a single information structure should be in place for disaster-related aid (and humanitarian aid in general). Such a structure is not in place, although the UN databases and the Development Assistant Databases in recipient countries represent a major step in creating transparency. Our knowledge and experience as SAIs tell us that the following improvements need to be made to create true transparency and a single information structure at international level:

- Data should be complete and reliable;
- The status of information (verified, audited, time frame) should be included;
- Data should be timely and long-term;
- Definitions used should be harmonised and double counting should be prevented.

3 Need for single information

3.1 Conclusion

Donors and recipients trust, but want assurance, that aid provided is spent regularly, efficiently and effectively. For this reason, information is needed on the planning of aid projects, the expenditure of aid, the implementation of projects and the results achieved. The information should be structured in the form of an audit trail so that the aid can be followed from source to destination and the impact of the aid can be recorded.

In chapter 2 we presented our conclusions on whether there was transparency at international and national levels (sector-wide overview). We concluded that not enough information was available at those levels to identify the relevant stakeholders and the aid flows they handled from source to destination.

The Task Force therefore tried to establish an overview of Tsunami-related aid based on the accountability information provided by individual stakeholders in certified annual reports and accounts. Although the purpose of annual reports and accounts is not to provide an audit trail, it was the only reliable and publicly available information we could use. In addition to studying accountability information we held interviews with relevant stakeholders to obtain background information. We developed an aid flow database to harmonise our data collection and to try to consolidate the information available on organisations at national and international levels.

From our study of information on organisations we concluded, as have others such as the Tsunami Evaluation Coalition and the UN Board of Auditors, that a single information structure is lacking. We found that:

- Significant amounts of aid can no longer be identified;
- There is a lack of standardised definitions and accounting and reporting standards;
- It is extremely difficult to follow aid from source to destination owing to the lack of information.

Most organisations involved in the provision of Tsunami-related aid comply with applicable accountability rules and regulations and in many cases even provide more information than necessary. Without the transparency and accountability of a single information structure, aid cannot be followed from source to destination. The information that is publicly available is not complete, is not up to date and is not reliable enough to be used to plan, monitor and audit disaster-related aid. The aid provided loses its identity in the complexities of the humanitarian aid sector: aid from various sources is mixed and later separated so that it is difficult, if not impossible, to follow aid flows from source to destination and to make clear who is accountable to whom for what. This also results in a lack of clarity on who has the mandate to provide assurance on the spending of these aid flows. We will address this topic in chapter 4.

3.2 Transparency per cluster of stakeholders

3.2.1 General findings

Our study of organisational information regarding Tsunami-related aid focused on the following clusters of stakeholders:

- Central government;
- Local government;
- Private aid organisations (NGOs, Red Cross and Red Crescent Movement);
- Multilateral funds.

From our study of the transparency of various stakeholder groups we concluded the following:

- Public funds from central government can generally be followed until they reach multilateral and non-governmental organisations. Beyond this stage it is difficult, if not impossible, to follow funds to the final beneficiary. Public funds from local government are less transparent and more difficult to follow;
- Private funds can generally be followed to the first recipient organisation if fundraising is organised collectively by NGOs or other private institutions; beyond this stage it is difficult, if not impossible, to follow private funds any further;
- Private funds raised by other private organisations, such as religious organisations (unless they are part of a collective fundraising campaign), private companies, lotteries and foundations are often not transparent;

- Lack of transparency does not mean that organisations are not complying with accountability and reporting standards. We looked into the standards and where they are applicable most organisations comply with them. Accountability and reporting standards for humanitarian aid do not require organisations to be more transparent and do not facilitate transparency at a sector-wide level.

3.2.2 Central government

From a study of accountability for public funds, we found that *donor governments* make an effort to disclose information regarding their role in providing aid to the countries affected by the Tsunami. They do so through special sections on ministerial websites, specific letters and reports to parliament on the Tsunami and by considering the Tsunami in annual reports and accounts submitted to parliament on budget expenditure. Information is also available from OECD-DAC Statistics and the UN OCHA Financial Tracking Service. SAIs have a mandate to audit central government and therefore have access to additional non-public information for their audits and opinions. Despite the information available to SAIs, following the flow of funds from source to destination still depends on the way the aid is channelled. If funds are channelled to intergovernmental organisations, such as the UN, multilateral institutions or funds (Asian Development Bank and Multi Donor Fund managed by the World Bank) and international NGOs, they can be followed up to their arrival at these organisations but usually no further. This is the result of various factors, including the following:

- There is no accounting on a disaster-by-disaster basis (disasters are not accounted for separately) so it is unclear what funds were raised and disbursed for the Tsunami disaster;
- Limited information is available on the next link in the chain (receiving organisation and amounts disbursed to that organisation);
- Audit and accountability reports issued by receiving organisations are generally not provided on a timely basis.

We found that in-kind assistance was less transparent and generally not accounted for even though it formed a major part of the total Tsunami assistance provided by some donors. Public funds are also provided for humanitarian assistance and disaster-related aid in the form of tax deductions (general deductions for charities or non-profit organisations and specific deductions for specific disasters). Accountability and transparency of these tax deductions are generally lacking.

Recipient governments and the populations affected are at the end of the aid flow. Aid can flow from various sources, internationally and nationally. Because there is no full transparency regarding the funds raised for disasters such as the Tsunami or on the funds committed to and disbursed in a specific recipient country, recipient countries do not know how much aid is provided in total. The implementation of information systems such as the DADs has increased the transparency of the influx of aid into recipient countries.

The Indonesian government has established the BRR (Aceh-Nias Rehabilitation and Reconstruction Agency) for the rehabilitation and reconstruction of Aceh and Nias using the on-budget fund (see below). While other stakeholders (UN families, Red Cross, NGOs) have their own policies to implement rehabilitation and reconstruction projects directly, BRR's mandate is to organise and coordinate projects in order to prevent competition and overlaps. The Recovery Aceh Nias Database (RAND), along with Concept Notes, was used to organise and coordinate the stakeholders concerned.

The government of the Republic of Indonesia (GOI) is a recipient of aid (bilateral and multilateral) and a donor itself. Foreign aid was provided directly to the GOI through its BRR implementing agency (on-budget). Off-budget funds were also provided (and managed by the BRR). If the funds are provided on-budget (grant/loan), they should be traceable through the Treasury Office's Bank Accounts. Off-budget funds are transferred to the implementers in accordance with the implementation arrangements. These funds may be recorded in the RAND system as a commitment and, since they will be disbursed over one or several projects, it is more complex to trace the flow. As described above, donors are not obliged to use the RAND. The compliance rate is as follows: 30% current month information, 30% information more than two months old and 40% data more than three months old. Furthermore, the information is entered by the donors themselves (third party) and BRR is not able to reconcile the data. The response to using the RAND system is around 60% on reported projects. The transparency of all off-budget funds relies on the donors and their stakeholders. For example, larger NGOs have established recording and reporting arrangements but smaller NGOs have not.

3.2.3 Local government and other public entities

The picture is less clear for local government and other public entities than for central government. In the Netherlands, for instance, only some of the provinces and larger municipalities accounted to a certain degree for the aid they donated for the Tsunami. It can be seen from their accounts that they donated most of their aid to a group of NGOs that worked together to raise funds for the Tsunami (SHO), to a limited number of individual NGOs that were not SHO members and to private organisations that were involved in water and sanitation projects. Not all SAIs, such as those of the Netherlands and Norway, have a mandate to audit local government. Others, such as the SAIs of Indonesia and Korea, do.

In Indonesia, the central and regional authorities set up Government Collecting Agencies to collect disaster aid in the form of funds as well as goods and distribute them to the victims of the earthquake and the Tsunami in Aceh and North Sumatra. The Indonesian SAI found that accountability and financial management at these agencies, which raised USD 84,3 million, were weak. Accounts were not issued on time, disaster-related aid was not properly accounted for and more than 50% of the aid collected was not deposited in designated accounts.

3.2.4 Non-governmental organisations and other non-public entities

There are no reliable international data on NGO fundraising for the Tsunami disaster. We had to study estimates, databases such as the FTS and the DADs and annual reports and accounts to gain an impression of the volume of aid raised by NGOs. The major NGOs issue annual reports and accounts and information can also be found in such databases as the FTS and the DADs (although not all of them). The major NGOs handled the bulk of the funds raised. We cannot be certain about the total amount raised and handled by NGOs because many NGOs are not obliged to provide accountability information. This is also the case for religious organisations. The Task Force had many difficulties finding accountability information issued by religious organisations.

Accountability information is available from private enterprises but their part in the Tsunami relief effort is not material in financial terms in comparison with their main business activities. It is therefore difficult to find information in their annual reports that can be used for accountability purposes or to construct an audit trail. Most of the information is

presented for communication/marketing purposes rather than for accountability purposes.

NGOs receive their disaster-relief funds from private or public sources. The Task Force found that central governments in donor countries had specific accountability arrangements for organisations that receive public funding for humanitarian aid and disaster-related aid. One of the demands made by central governments on NGOs is that they account separately for the public funds they receive and provide specific accountability information on the expenditure of those funds.

Only general requirements exist regarding the accountability and transparency of private funds provided to NGOs. This leaves room for interpretation. We found that in most countries accountability and reporting standards are in place for the larger humanitarian aid organisations. However, no accountability and reporting standards are in place for smaller aid organisations and other non-public entities such as religious organisations. We found that, in general, NGOs complied with the requirements and in some cases provided more public information than required by the rules and regulations. But complying with accountability rules and regulations does not produce an audit trail of disaster-related aid. Firstly, the standards that are in place do not require transparency on a disaster-by-disaster basis and therefore do not facilitate the transparency of disaster-related aid at a sector-wide level. Secondly, by analysing accountability information and by surveying and interviewing NGOs and other non-public entities, we found that the transparency of Tsunami-related aid flows was too limited to follow aid from source to destination. In some cases private funds can be followed to the first recipient organisation, but after that it is difficult, if not impossible, to follow private funds any further. Thirdly, reporting standards differ from one NGO to another: in the in-depth study of Dutch Tsunami aid flows we found that none of the 43 annual reports and/or accounts used the same reporting format or disclosed the same financial figures. This makes comparison difficult and tracking funds from one NGO to another almost impossible. Other country studies made by the members of the Task Force also found that the definitions, criteria and standards used were generally not transparent and, where they were, they differed widely.

3.2.5 Multilateral funds

According to the report *Funding the Tsunami Response*[10] issued by the Tsunami Evaluation Coalition multilateral development banks pledged USD 2,095 billion, which is an estimated 15% of the international funding for the Tsunami disaster. Aid for the countries affected by the Tsunami that was channelled through multilateral financial institutions such as the Asian Development Bank and the World Bank can be followed through websites, various updates and annual reports and accounts. The African Development Bank played a minor role in providing and channelling funds for the Tsunami because the damage on the African coastline was far less severe than that in Asia. Information is therefore available from the website on pledges but not on disbursement or actual spending, nor is such information provided in annual reports and accounts.

The European Commission provides information through its website and special progress reports on the funds it donated for the Tsunami.

The UN family does not provide information on the whole of the UN involvement in Tsunami-related aid. UN OCHA FTS is neither reliable nor complete and the information provided by individual UN organisations cannot be consolidated to provide a single overview. UN OIOS tried to compile such an insight but failed owing to the lack of shared information (internal audit reports).[11]

Our country studies could follow aid flows only until they reached UN organisations but no further. This was because UN organisations generally do not provide accountability information on a disaster-by-disaster basis.

3.3 Transparency of definitions, criteria and standards

As part of our review of accountability information, we looked at the definitions, criteria and standards used to report on Tsunami-related aid. Items we looked into were: administrative and fundraising costs, purpose and type of assistance, destination of aid. As a Task Force our aim was to enhance the transparency of the criteria, definitions and standards used, not to define what criteria, definitions or standards should be used. Regarding administrative and other costs, our aim was not to prescribe

[10] Tsunami Evaluation Coalition (July 2006), Funding the Tsunami Response, http://www.tsunami-evaluation.org/NR/rdonlyres/BBA2659F-967C-4CAB-A08F-BEF67606C83F/0/funding_final_report.pdf

[11] http://daccessdds.un.org/doc/UNDOC/GEN/N06/685/51/PDF/N0668551.pdf?OpenElement

what percentage of administrative costs was acceptable but to enhance transparency on administrative and other costs.

3.3.1 Administrative costs

We reviewed available literature and concluded that no clear international consensus had been reached on how to define administrative costs and other costs incurred by aid organisations. In our study of Tsunami-related aid we tried to assess the amount, percentage and definition of administrative and other costs used by aid organisations.

For Dutch aid organisations we found that 10 of the 43 (23%) organisations that provided information on Tsunami-related aid also provided information on administrative costs and fundraising costs incurred specifically for the Tsunami. Furthermore, we found that four organisations (9%) provided information on the definitions used and that all four definitions differed and could easily lead to different cost calculations.

The French SAI audited 32 French NGOs involved in Tsunami-related aid. It concluded that overheads, fundraising and operating costs represented less than 5% of funds raised. Some NGOs did not report fundraising or operating expenses; the modus operandi of the 32 organisations showed marked differences in this regard.

NGOs in the United Kingdom have to follow generally accepted accounting practice. This has been interpreted for charities through the UK Accounting Standards Board's Statement of Recommended Practice (SORP) for Charities. However, we found that many of the relevant accounting standards were still open to interpretation and accounting policies varied between organisations. For example, policies on the apportionment of overheads, depreciation and other costs can all legitimately vary between organisations. Tsunami-related activities were commonly reported upon separately only in broad terms. In the Tsunami specific reports, details of the types of cost and methods of apportionment were not clearly defined or standardised.

Regarding administrative and other costs we also found examples of NGOs that went beyond the required accounting and reporting standards by harmonising definitions, by setting a maximum for administrative and other costs and by reporting as a group on the provision of Tsunami aid.

To give one example, the financial arrangement for the cooperating NGOs in the Netherlands included a definition of administration costs (preparation and coordination of direct aid activities) and an indication of the activities that should count as administrative costs (preparation of project proposals, assessment of project proposals, decision making on project proposals, technical advice to international headquarters or local partner, financial management, reporting, overhead costs, external contacts). The cooperating NGOs also laid down in their financial agreements that a minimum of 94% should be spent on direct aid activities and a maximum of 6% on the preparation and coordination of direct aid activities. The cost of the local partners' regional offices is treated as a direct aid activity.

We also found that NGOs in other countries had committed themselves to minimising their administrative and fundraising costs. The Tsunami Evaluation Coalition's evaluation of Danish NGO funding found that NGOs generally kept 5% of public donations and 7-10% of private donations to cover administrative costs.

Administrative costs are minimised in one part of the chain and in the case of the cooperating NGOs in the Netherlands at only the first level of the chain: no maximum has been set for other parts of the chain. For instance, if an NGO channels the funds it receives to its international headquarters, the maximum applies only to the NGO itself and not to the international headquarters. The same applies to such channels as the United Nations, European Union, Asian Development Bank, and World Bank and also to public entities in recipient countries (public entities do not provide an insight in their administrative costs). In our study we came across several examples of statements on minimising administrative costs but even where an aid flow could be followed it was clear that the statements did not apply to the chain as a whole.

3.3.2 Interest

Our in-depth study of Dutch Tsunami-related aid flows also looked at the interest paid or received on the Tsunami funds. From the 43 annual reports and accounts we reviewed we found that seven organisations (16%) accounted separately for interest received on Tsunami funds, to a total amount of EUR 997,175.

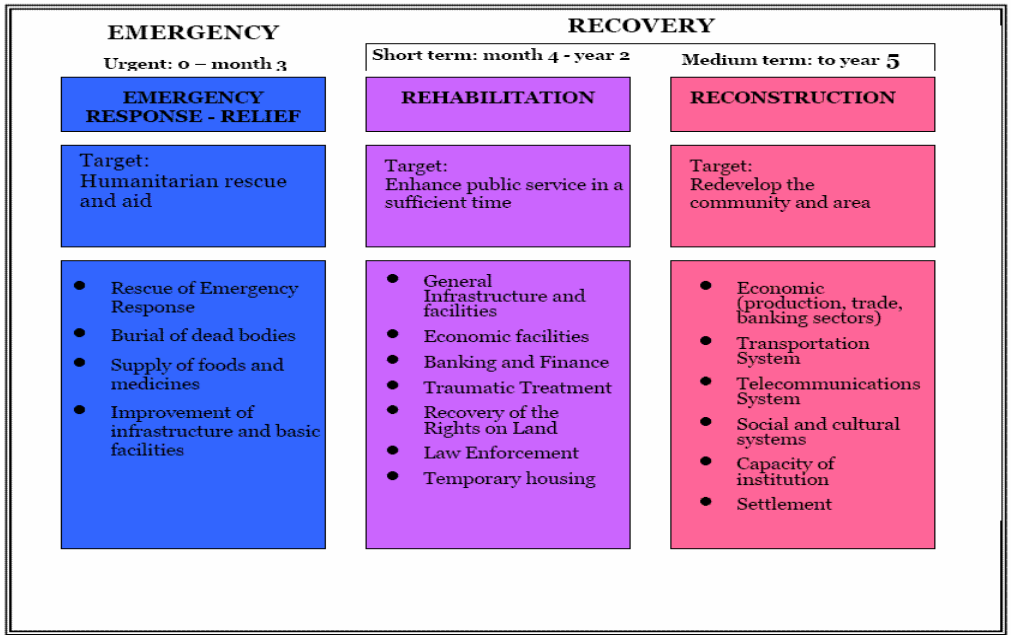
3.3.3 Purpose and type of assistance

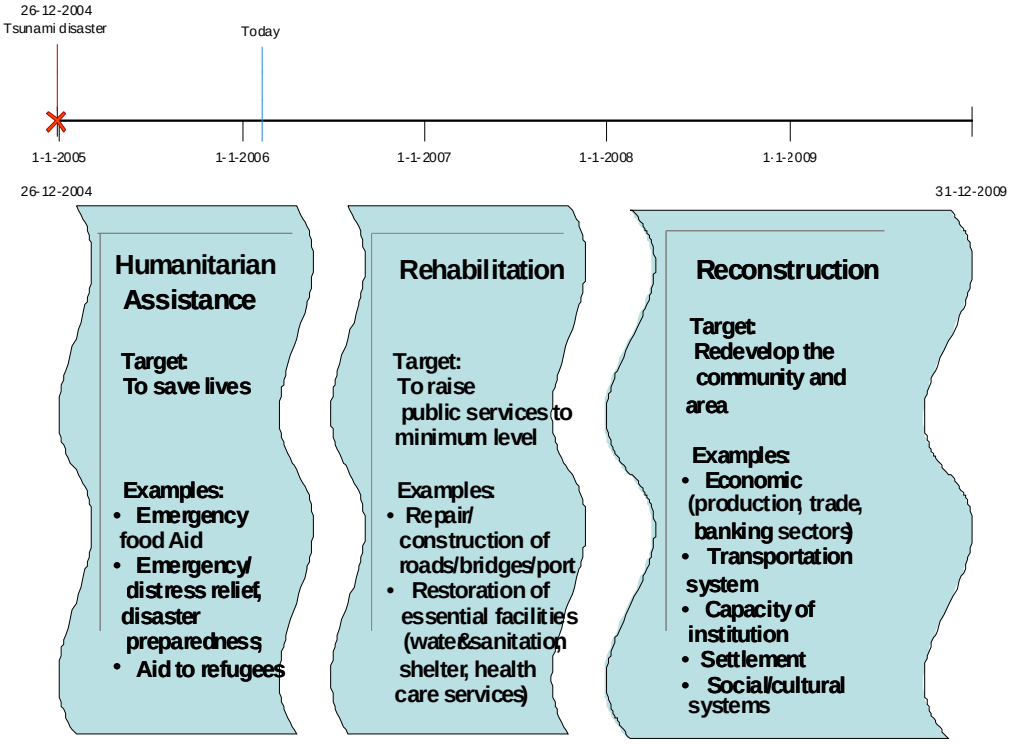
Assistance can be classified as emergency relief, rehabilitation and reconstruction. Internationally there are many different definitions of these classifications or stages of aid delivery. We found that standard definitions were not used. No clear lines can be drawn between humanitarian assistance, rehabilitation and reconstruction: they partially overlap and are often implemented as parallel processes. The Task Force has identified several criteria (target, timing & context and channels & conditions) from the available definitions to distinguish between humanitarian assistance, rehabilitation and reconstruction. From the variety of definitions available of the terms and classifications, we constructed the following descriptions:

- *Humanitarian assistance (relief)* is directed at saving lives.
- *Rehabilitation* is the response to the "gap" between immediate humanitarian assistance and long-term development activities (i.e. *reconstruction*).

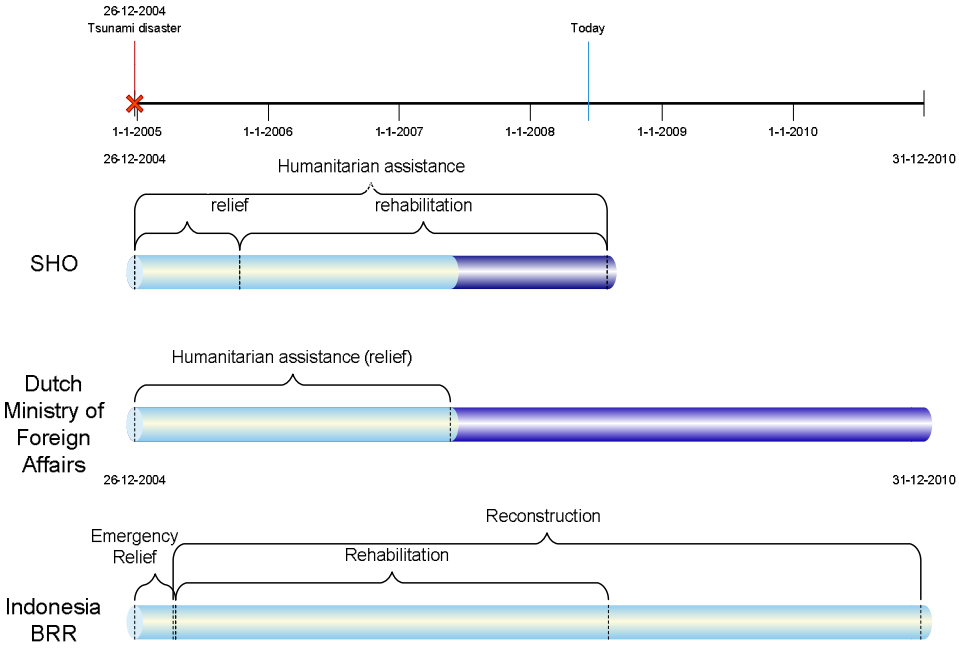
Time is a crucial factor. If we place the definitions on a timeline, the following picture emerges:

Definitions of humanitarian assistance, rehabilitation and reconstruction and related timelines





The organisations involved in the provision of Tsunami-related aid used different timeframes, as shown below:



The Indonesian SAI found differences in the definitions used by the actors for such terms as period for relief vs. rehabilitation vs. reconstruction or emergency vs. recovery. This makes good coordination following disasters more difficult. The Indonesian SAI thinks a list of definitions should be agreed to increase the accountability for and transparency of aid donated following disasters.

3.4 Lessons learned

The Task Force believes that disaster preparedness should include a single information structure so that:

- Aid can be planned internationally;
- Aid delivery can be coordinated and monitored locally;
- Aid can be accounted for to all relevant stakeholders, from the donor to the final beneficiary;
- Aid can be evaluated and audited in the most efficient and effective way in order to better learn and best address the needs of the victims.

The Task Force believes that a single information structure:

- Reduces administrative burdens and therefore costs to recipient countries;
- Enhances transparency, and therefore reduces the risk of waste and unhealthy competition;
- Enables better coordination and cooperation in recipient countries;
- Provides a means to benchmark performance and to learn lessons.

At present such an internationally accepted and applied information structure (single information structure) is lacking. The Task Force recognises the challenges of establishing a single information structure in the humanitarian aid sector. As the Dutch example in chapter 1 demonstrates, it will be a long-term objective requiring patience and many efforts. Nonetheless, we strongly believe it is worth the collective efforts and patience of all relevant stakeholders including the SAI community.

At present, organisations involved in the humanitarian aid sector have to report to a variety of stakeholders that have a variety of reporting and accountability requirements and have to provide a level of assurance to their accountability organisations (for instance an external auditor's unqualified opinion). The absence of a single information structure is also felt by public entities in recipient countries. Having an information

structure in place would reduce the administrative burden on the recipient parties, whose capacity to manage is presumably already stretched by the disaster. In addition, a single information structure would enhance transparency to plan, monitor and audit disaster-related aid. A single information structure should be based on standardised definitions that increase transparency and enable an audit trail and the measurement of performance.

What should this single information structure contain? We suggest:

- The amounts provided to each country identified by specific disaster;
- The source (i.e. donor) of funds, the destination (i.e. next organisation in the chain), and geographical information regarding the location of specific projects (preferably with geographic coordinates);
- The amounts provided to each destination;
- The purpose of the expenditure provided to each destination (if earmarked);
- The objectives and targets to be achieved;
- Performance indicators, targets and benchmarks to monitor the achievement of these objectives and enable future results to be interpreted against expectations;
- Reliability of the information (Is it verified? Is it audited?).

The crucial elements in reaching a single information structure are the willingness of participants to share information and the development of common definitions to share information meaningfully. At present, the sharing of information can only be secured through hierarchical relations between donors and implementers (through contracts, MoUs, etc.). This may be termed upstream accountability. The challenge lies in sharing information with international organisations, peers (lateral accountability), recipient country public entities, final beneficiaries (downstream accountability) and the wider public that provided the aid through direct contributions or taxes. The information shared is more meaningful if there is a common "language" to define amounts spent and the reasons for spending them, and if performance indicators are used to monitor the achievement of objectives.

In chapter 6 we will elaborate on how INTOSAI wants to contribute to the development and implementation of a single information structure.

4 Auditing Tsunami-related aid

4.1 Conclusion

As noted elsewhere in this report, assurance on the spending of disaster-related aid is needed to answer the following questions:

- *Has the aid pledged been provided (trust)?*
- *Has the aid provided been spent on its intended purpose (regularity)?*
- *Has the aid provided been spent in the most efficient way (efficiency)?*
- *Has the aid provided been spent in the most effective way (effectiveness)?*

To answer these questions, data are needed on the flow of aid from source to destination. In short, an audit trail is needed. An audit trail facilitates learning by evaluation, investigation and audit and therefore facilitates the improvement of disaster preparedness and disaster management for future disasters. With regard to the complexities of the aid sector (see chapters 2 and 3), however, who should provide the data and who should verify and provide assurance on the data?

Databases at international and national level do not contain reliable enough data to answer the assurance questions asked above. The data that are available in these databases are neither verified nor audited and therefore cannot provide assurance. Accountability information issued by individual organisations is assured by an external auditor but the scope of the assurance relates principally to the regularity of accounting, the management control system in place and the supervisory arrangements with partner organisations, not to whether the aid was well spent. Furthermore, not all organisations have to provide assurance on their handling of aid and when assurance is provided it is not always clear what the scope of that assurance is and what criteria, definitions and standards were used. In most cases, therefore, we cannot establish an audit trail based on assured information.

More and more SAIs are embracing their role as auditors of public funds, conducting not only financial but also performance audits of efficiency and effectiveness. But the role of SAIs in providing assurance on disaster-related aid is limited by the SAIs' mandates and the fact that aid loses its identity. It is not clear who has the mandate to provide assurance: is aid public, private or mixed?

We also found that assurance-providing activities were generally not coordinated and the results were not widely shared, which leads to duplication of audits and a strong administrative burden on aid agencies that need to use their scarce resources to address the needs of the societies affected. SAIs have made a start by sharing audit reports and initiating joint audit missions to exchange information and know-how. UN OIOS has also conducted audits in close cooperation with the UN Board of Auditors, but these examples are still exceptions to the rule. There is no framework in place for audit coordination and cooperation. An important basis for such a framework is not only the auditors' willingness to cooperate but, principally, the willingness to establish a single information structure. A single information structure would increase the potential for more efficient and effective audits. It would also enable greater harmonisation of accountability arrangements between donors and implementers. If different accountability arrangements are applicable to every donor-implementer relationship, assurance can be provided only on each arrangement, without the benefit of individual donors or recipients obtaining a more comprehensive perspective on how aid is being distributed and people in need are being helped. If information were audited in a widely accepted single information structure, the results could be used in other audits without the information itself having to be re-audited. This would reduce the administrative burden of audits and make better use of scarce and costly capacity.

4.2 SAIs and auditing disaster-related aid

Supreme Audit Institutions have a vital role to play in holding governments to account for their stewardship of public funds and in helping ensure the transparency of government operations. Our mandate as SAIs therefore relates primarily to public funds, with the exception of the SAI of France, which also has a mandate to audit private organisations that have raised funds from the French public[12].

[12] To audit fund flows statements of entities or organisations that call upon the generosity of the public, under the terms of the law of 7 August 1991, the French SAI may investigate those entities' use of the donations received following the natural disaster in the Indian Ocean.

Regarding disaster-related aid, SAIs have a role on the donor side (including the European Court of Auditors for the funds provided by the European Commission) and on the recipient side of public funds intended for disaster-affected countries. Furthermore, the external auditor of the UN Funds and Programmes, the UN Board of Auditors, consists of three SAIs that are selected for a fixed period. The UN BoA is part of the Panel of External Auditors of the United Nations, the specialised agencies and the international atomic energy agency.

SAIs want to know if public funds intended for disaster-affected populations have been well spent. But the complexity of the aid sector, the complexity of the flow of funds for the Tsunami and the lack of a sector-wide overview make it very difficult to obtain the data necessary to establish an audit trail for public Tsunami-related aid (see chapters 2 and 3).

The Task Force therefore did not engage directly in auditing Tsunami-related aid but developed a uniform approach to study Tsunami-related aid flows in order to relate the mandates of the Task Force's member SAIs to the flow of funds and the assurances needed. The uniform approach focused on gaining an insight into the flow of Tsunami-related aid, the relationship between the relevant stakeholders and the scope of the SAIs' mandates. Part of this approach was to develop a model aid flow chart (see chapter 2 for a description of the chart).

The study results increased the Task Force's members' knowledge of the flow of aid from source to destination and thus helped them in their auditing activities. The Task Force also sought to establish a platform for its members and the INTOSAI community to share their experience and knowledge of auditing Tsunami-related aid. For a complete overview of the audit reports published by the SAIs of Australia, Austria, Canada, France, India, Indonesia, Sri Lanka, the United Kingdom and the United States and by the European Court of Auditors, we refer you to the literature overview on our website www.intosai-Tsunami.org[13].

[13] To be found under meeting INCOSAI 2007, Mexico City, 5-11 November 2007

4.2.1 Mandate of SAIs

If we accept the estimate given in the TEC evaluation, more than USD 14 billion was raised for the Tsunami, of which USD 8,5 billion comprised public funds and USD 5,5 billion private funds. At first sight, 40% (the private funds) of the total funds would appear to fall outside the SAIs' mandate. It is not immediately clear, however, whether the remaining 60% falls within the SAIs' mandate because public funds are channelled through a number of organisations that are not directly within the mandate: multilateral financial institutions, United Nations specialised agencies, international and national NGOs, companies and foundations. By studying the Tsunami-related aid flow we found that the bulk of public aid passed through multilateral and NGO channels, where SAIs generally speaking had a limited or no mandate (in general SAIs can audit or review NGOs only when they receive grants directly from public entities that fall within the SAIs' mandate). If public funds are channelled through recipient public entities funded from government budgets, SAIs have a mandate to audit those funds. For instance, the Indonesian SAI has a formal mandate to audit 45% of the Tsunami-related aid for Indonesia; other SAIs have a mandate to audit 16% (bilateral aid) of the Tsunami-related aid for Indonesia. In Indonesia, multilateral aid was provided via an off-budget fund, the Multi Donor Trust Fund.

Multilateral Tsunami funds were managed by the ADB and the WB, the Asian Tsunami Fund (ATF) was managed by ADB and the Multi Donor Trust Fund for Aceh and Nias (MDTFANS or MDF) was managed by the WB. The government of Indonesia explicitly kept the multilateral aid for Indonesia (MDTFANS) off-budget in order to increase flexibility when putting the funds to use. The government of Indonesia's budget procedures were considered too inflexible given the character of the disaster. Keeping funds off-budget also meant that the funds formally fell outside the SAIs' mandate. In Indonesia this problem was overcome by having the BRR issue financial statements on the off-budget funds. All the BRR's financial statements fall within the Indonesian SAI's audit mandate.

Assurance on the multilateral funds was provided via the assurance procedures of the ADB and the WB. The ADB issued various updates (status reports) on the ATF[14]. The ATF's financial statements are included in the ADB's annual report and accounts and a separate opinion is expressed on the ATF by the ADB's external auditor.

[14] http://www.adb.org/Documents/Reports/Asian-Tsunami-Fund/status-report-sept2007.pdf

For the MDTFANS, Quarterly Financial Management Reports provide information on approved projects and concepts, financial status and spending by project. The MDTFANS' accounts are included in the financial statements of the World Bank (the IBRD), which are audited by an external auditor.

Although the World Bank's policy is to accept the SAI of a national government as the independent external auditor, in the case of the MDTFANS it selected the development and finance supervisory board, which is regarded as the government of Indonesia's internal auditor, to audit and express an opinion on the MDF project financial statements.

The appendices to this report contain the Tsunami aid flow chart with information on what part of the flows falls within the SAIs' mandate.

4.2.2 Audit trail of public funds

An audit trail is necessary to conduct audits and provide assurance. We found that if public funds were channelled through organisations that do not fall directly within the SAIs' mandate, the funds could be followed to their arrival at those organisations but usually no further owing to a lack of specific and publicly available data on aid flows. For example, the Norwegian government and the Norwegian people gave roughly EUR 200 million for the Tsunami victims. Of that amount, EUR 100 million could be followed to its final destination. The other half could not be followed any further than the first recipients, 75% of whom were multilateral channels such as the United Nations and World Bank and 25% NGOs. The public funds provided by the Norwegian government could be traced to the multilateral channels that made up 75% of the total amount of public funds (62% to the UN and 13% to the MDTF) and no further; 25% of the Norwegian public funds could not be traced.

Another important reason to establish an audit trail for public funds is that public aid for the Tsunami disaster loses its identity during its flow from source to destination. The aid is accumulated and mixed with private funds at different stages and also split up on various occasions. It is therefore no longer possible to say what part of the aid at a specific organisation between source and destination is public or private. So who should be accountable to whom for what, and who has the mandate to provide assurance?

Using the audit results of other SAIs to provide assurance on public funds is a solution to the lack of an audit trail, albeit a partial one. Not all public

funds end up as "on-budget" funds under the mandate of SAIs in recipient countries as the example of Indonesia shows. The establishment of aid tracking systems such as the UN OCHA Expenditure and Financial Tracking Services and the Development Assistance Databases in the recipient countries is of help and a big step forward but owing to the lack of reliable and complete information in those tracking systems there is still no audit trail for public funds.

4.2.3 Audit coordination and cooperation

One way to overcome the lack of an audit trail is to cooperate as auditors and to share audit findings.

Overview of type of auditor per stakeholder group:

Stakeholder group	**Auditor**	**Remark**
Central government	SAI	Within mandate of SAIs
Local government	SAI, local audit office, private sector auditor	Within or without mandate is country specific
International and national non-governmental organisations (NGOs)	Private sector auditor	The external auditors of international NGOs are the major private sector audit firms
Companies/business community	Private sector auditor	
Religious organisations	Private sector auditor or none	In many countries religious organisations do not have to publish certified accounts
Private persons	None	
Foundations	Private sector auditor	
Lotteries	Private sector auditor	
Multilateral Financial Institutions	Private sector auditor	The external auditors of Multilateral Financial Institutions are the major private sector audit firms
Intergovernmental institutions:		
European Union	European Court of Auditors	
UN funds and programmes	UN BoA and SAIs	
UN specialised agencies	Private sector auditor	The external auditors of the UN specialised agencies are the major private sector audit firms

The exchange of audit information among SAIs and third parties needs to be formalised for all funding. If, for example, a donor country implements its own projects directly in the recipient country the projects fall outside the mandate of the recipient country's SAI. The donor country's SAI could audit the projects and provide assurance information to the recipient country's SAI. SAIs have worked together in Indonesia, for instance, by conducting joint audit missions, sharing results and know-how and building capacity through training programmes.

We also found that UN OIOS and the UN BoA had coordinated audit missions and shared the results of their audits of Tsunami-related activities. These examples of coordination and cooperation are exceptions rather than the rule. In general we found that audit results were not shared, not even within the UN family, this being one of the main reasons why UN OIOS failed to issue a comprehensive report on the UN Tsunami-related aid even though audit missions were coordinated and combined.

The lack of coordination and cooperation regarding the audit of Tsunami-related aid has led to duplication of audit activities and increased the administrative burden on aid organisations and on government agencies in recipient countries. In the rehabilitation and reconstruction process, for instance, the Indonesian SAI found many external auditors working to ensure the accountability and transparency of the Tsunami and earthquake recovery programme in NAD and Nias, among them private audit firms and SAIs:

- BPK, itself, as the external auditor of the Indonesian government’s on-budget fund and grants;
- US GAO and Australian NAO, auditing projects implemented directly by each government representative (United States Agency for International Development - USAID and Australia-Indonesia Partnership for Reconstruction and Development - IPRD);
- French Cour des Comptes, auditing disbursements for projects implemented by French NGOs; and
- European Court of Auditors, auditing disbursements for projects implemented by parties (BRR, NGOs, UN families) funded by the European Commission.

Although these audits may promote accountability and the transparency of the Tsunami and earthquake recovery programme in NAD and Nias, they also require much needed operational capacity from the working units of the agencies, such as the BRR.

Another factor that leads to audit duplication when projects are funded by more than one donor is that each donor might have its own accountability and audit requirements.

Not only does better audit coordination and cooperation prevent duplication, it can also fill in gaps in the audit coverage. Since not all audit results are published, not all organisations use the same criteria, definitions and standards and not all organisations are obliged to provide assurance on their handling of Tsunami-related aid, it is not transparent what part of the Tsunami-related aid flows are covered by an acceptable assurance statement issued by an independent auditor.

4.3 Assurance on public funds

Although public donor organisations can enforce accountability and audit standards on the receiving organisations via agreements, contracts and Memoranda of Understanding, in practice we found that public donor organisations are not always able to verify accountability and assurance reports or to rate the auditors' work. In most countries studied, accountability and reporting standards for aid organisations are formulated in broad terms, which leaves room for interpretation and diversity in the accountability information provided. We found that this diversity was further increased by the lack of common criteria, definitions and standards for disaster-related aid. This diversity makes it difficult for public donors to compare and benchmark the performance of aid organisations.

We also found that audit reports issued by aid organisations that received funds for the Tsunami were not provided on time by the relevant government agencies (in Norway this was the case in nearly 50% of the cases studied). Moreover, we found that in many cases aid organisations received funds from multiple donors but the funds were not always spent (in Norway in 25% of the cases) and no documentation was available on the amounts spent from which sources. This could lead to the double funding of projects and the risk of waste.

4.3.1 Relevant developments in accountability and audit

4.3.1.1 Multilateral institutions

We found that a number of initiatives had been taken to harmonise financial management, including accountability and assurance at multilateral level. The Working Group on Harmonizing Financial Analysis

and Management of the Multilateral Development Banks (ADB, African Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, and World Bank), for example, developed the Framework for Collaboration Among Participating MDBs on Financial Reporting and Auditing in February 2003. This framework is used for financial relations with external parties, such as the UN and humanitarian organisations. In accountability frameworks, financial reports, progress reports and audit of financial statements are all requirements for financial relations. The European Commission has agreed a Financial Administrative Framework Agreement (FAFA)[15] with the United Nations that requires the submission of financial reports and audited financial accounts. Another requirement is the disclosure of information and access to it by the European Commission and other bodies within the European Union, notably the European Court of Auditors. Direct and indirect costs are defined and a maximum of 7% is set for indirect costs. Similar requirements set in the Framework Partnership Agreement (FPA)[16] are applicable to financial relations between the EU and humanitarian organisations.

International Financial Institutions, such as the multilateral development banks (ADB, AFDB, WB), are actively encouraging borrowers and Executing Agencies (EAs) to adopt uniform standards of accounting and financial reporting. In this respect, the ADB and WB require financial statements to be prepared in accordance with International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and International Public Sector Accounting Standards (IPSAS). The ADB and WB have made their financial guidelines consistent with both the OECD-DAC Good Practices Paper on Financial Reporting and Auditing (December 2002) and the Framework for Collaboration Among Participating Multilateral Development Banks on Financial Reporting and Auditing (February 2003)[17]. Furthermore, the ADB and WB require financial statements and project accounts to be audited externally in accordance with International Standards on Auditing (ISAs) and INTOSAI's auditing standards.

The Multilateral Development Banks and the OECD-DAC members have asked the Public Sector Committee of the International Federation of Accountants to issue an accounting standard for development assistance; a broadly accepted global benchmark to which both donors and aid receiving governments can subscribe. In January 2008, the International

[15] http://ec.europa.eu/echo/pdf_files/fafa/agreement_en.pdf

[16] http://ec.europa.eu/echo/pdf_files/fpa2008/fpa_general_conditions_en.pdf

[17] http://www.adb.org/Documents/Guidelines/Financial/part050100.asp

Public Sector Accounting Standards Board (IPSASB) issued new requirements to help governments and other public sector entities consistently report on international aid, development grants and other forms of external assistance. These requirements are set out in the updated International Public Sector Accounting Standard, Financial Reporting under the Cash Basis of Accounting (Cash Basis (IPSAS)), effective for reporting periods beginning on or after 1 January 2009.

In addition, a development has started within the UN to harmonise financial management and reporting. General Assembly Resolutions 56/20 and 56/201 requested UN funds and programmes and specialised agencies of the UN system to simplify and harmonise their rules and procedures. Part of this initiative is to develop standards for financial reporting and progress reports on the implementation and results achieved. The accountability and transparency of the United Nations Development Group Iraq Trust Fund is an example of how joint programming and accountability can work in practice.[18]

4.3.1.2 Supreme Audit Institutions

The existing group of SAIs – the Harmonisation of Overseas Audit Practices (HOAP) group – has been working for some years to harmonise audit arrangements in the field of development aid. It has focused largely on budget support.

The SAIs involved have sought to enhance cooperation between Supreme Audit Institutions so as to achieve two complementary goals:

- Standardisation and harmonisation of reporting requirements; reciprocal/mutual acceptance of audits of development funds;
- Progress on these interrelated themes would significantly contribute to easing the reporting burden on recipient countries.

The HOAP group has been developing a joint review approach to facilitate harmonisation of donor country SAIs' audits of development assistance. By reviewing the assurance provided by a recipient country's SAI on the spending of the aid received, donor country SAIs can check that the assurance provided is consistent with national rules and regulations applicable in the donor country. If it is, the SAIs can rely on the assurance provided by the recipient country's SAI.

In 2004, 2006 and 2008, in Zambia, Tanzania and Mozambique respectively, the HOAP group audited donor funds granted as part of a joint donor project (donor harmonisation). The purpose of the joint audit

[18] www.irffi.org.

was to arrive at observations on the regularity of the expenditure of development funds granted in donor harmonisation. These audits were carried out in accordance with generally accepted INTOSAI standards.

The audits relied on the findings of inspections by donors and on the preliminary audit of the national SAI. To this end, the donors' systems and the work of the Auditor General of the country concerned were reviewed.

All of the HOAP SAIs agreed that they would rely on the audit findings from the HOAP review team to form their opinion. This considerably reduced the costs of audit since the individual SAIs did not need to carry out their own audits of the development funds. It also lightened the audit burden for the recipient country.

4.4 Disaster management and preparedness

4.4.1 Management of expectations

Accountability and transparency should be embedded in governmental disaster management, not only to facilitate an audit trail and therefore facilitate learning and improving the regularity, efficiency and effectiveness of disaster-related aid, but also to enable planning, coordination and monitoring of aid activities and the results achieved. In addition, SAIs should be aware of their special role in assuring the spending of public funds in disaster-affected areas and should therefore also prepare themselves for disasters.

Accountability and transparency go beyond the financial aspects of aid provision and should include information on the performance of aid organisations and the expectations about the performance to be delivered. In situations of great damage, loss of life and injury, there are no quick fixes. The expectations of aid donors and recipients should be managed and realism encouraged. In the case of the Tsunami, media attention led to an overfunding of aid. The funds provided were not aligned with the needs on the ground. Because of the substantial amounts that were raised and the spotlight on disaster-affected areas, expectations were raised about the speed of the recovery. The high expectations were also fuelled by the strong competition for aid projects among aid organisations. This eventually led to dashed expectations among donors and recipients, which hampered aid provision and recovery on the ground.

Management of expectations is equally important for all organisations involved in Tsunami-related aid. SAIs must be clear about the role they should, and above all, can play in disasters.

4.4.2 Budget procedures

With regard to Tsunami aid in Indonesia, we found that multilateral funds managed by multilateral financial institutions such as the ADB (ATF) and the World Bank (MDTF) were kept off-budget of the government of Indonesia in order to avoid difficulties with the timely disbursement of funds through the GOI's on-budget arrangements. The off-budget use of these funds also had consequences for their transparency, accountability and audit. The BRR's operational processes were further hampered by delays in the disbursement of on-budget funds.

In donor countries difficulties were found regarding the release of government funds. In South Africa delays in the release of government funds made it difficult to meet some of the urgent needs in the countries affected. As a result, South Africa relied heavily on public donations.

4.4.3 In-kind assistance

In-kind assistance plays a crucial role in the relief phase, in which lives have to be saved. We found that in-kind donations were not adequately recorded in the Development Assistance Databases as regards value, quantity and on-shipping. Some significant problems were experienced with distribution, e.g. of pharmaceuticals, where shortages were experienced even though warehouses were holding stocks. Consignments of in-kind donations created problems as the receiving ports and airports were overwhelmed. Customs and excise processes were lengthy and some of the clearance charges were extremely high.

Some of the in-kind donations were not suitable for the communities in the countries affected on account of cultural and religious differences, e.g. pork-based canned foods, maize meal.

4.4.4 Procurement and monitoring contract implementation

In situations such as the Tsunami, where there is fierce competition for skilled labour and building materials, there is a particularly strong need for effective contract management, covering procurement, drafting contracts and monitoring the implementation of the contracts by means

of inspections, etc. We learned from the Tsunami that the task is very complicated. Many organisations have difficulty completing contracts, including INGOs that have a wealth of experience in providing aid in disaster areas. Houses were left unfinished, money ran out and the agreed quality was not delivered. Similar findings were made in audits conducted by the US GAO on the aid donated for the Katrina disaster. Lack of appropriate contract management creates a risk of waste, fraud and corruption.

4.5 Accountability and audit lessons learned

Auditing, like evaluating and investigating, is a learning tool to improve disaster-preparedness and disaster management. Auditing, evaluating and investigating are based on data that can be used to construct an audit trail.

This is why SAIs from donor and recipient countries should work together and share information in the same way that they cooperate and share information with private sector auditors that provide assurance on disaster-related aid handled by private or multilateral organisations.

The main issues to emerge from the Task Force's efforts to establish an audit trail of the Tsunami aid are the lack of an internationally accepted and applied information structure (single information structure) and the lack of an international framework for the conduct of efficient and effective audits.

The crucial elements to arrive at a single information structure are the willingness of participants to share information and develop common definitions to share information meaningfully. At present, information sharing can be secured only through hierarchical relations between donors and implementers (through contracts, Memoranda of Understanding, etc.). This may be termed upstream accountability. The challenge lies in sharing information with international organisations, peers (lateral accountability), recipient country public entities, final beneficiaries (downstream accountability) and the wider public that provided the aid through direct contributions or taxes. The information shared is more meaningful if a common "language" is used to define the amounts spent and the reasons for doing so, and if performance indicators are used to monitor the achievement of objectives.

The necessity of a single information structure and an international framework for the conduct of efficient and effective audits is confirmed by the Paris Declaration on Aid Effectiveness and the Report of the High-level Panel on UN System-wide Coherence in the areas of Development, Humanitarian Assistance and the Environment, entitled "Delivering as One". The Tsunami Evaluation Coalition also addresses these challenges in its Synthesis Report[19]:

- All agencies should commit to publishing the full versions of programme evaluations as a matter of principle.
- Common and consistent accounting definitions need to be agreed and applied across the sector. Existing initiatives (for instance in the Iraq Trust Fund's work to define disbursements and the DAC's documentation of pledges and commitments) that have resulted in greater transparency and consistency in this area need to be applied much more widely.
- An accreditation system for financial accounting and reporting should be established that uses standard formats and definitions and that complies in full with the FTS and DAD or similar reporting requirements. Once established, donors should fund only agencies (UN, NGO and RC Movement) that have this accreditation. This would encourage the public to do the same.
- There is a serious need to understand how the humanitarian dollar flows from original donor to actual beneficiary, with all the layers, transaction costs and added values being documented. A pilot study using a sample of programmes from different agency types (UN, bilateral, NGO and RC Movement) should be commissioned.

The existing group of SAIs – the HOAP group – has been working for some years to harmonise audit arrangements in the field of development aid, focusing in particular on budget support. In the field of disaster-related aid, the Task Force found various accountability arrangements and recommends that the relevant stakeholders align their accountability arrangements in order to increase audit efficiency and reduce administrative burdens on auditees. This could be done in a step-by-step process in which multilaterals, OECD DAC members, etc. first align their arrangements within their own community, followed at a later stage by the development of a widely accepted single information structure.

[19] Tsunami Evaluation Coalition (2006), Joint evaluation of the international response to the Indian Ocean tsunami:
Synthesis Report, http://www.tsunami-evaluation.org/NR/rdonlyres/2E8A3262-0320-4656-BC81-EE0B46B54CAA/0/SynthRep.pdf.

For the efficiency of the overall assurance of disaster-related aid and to enhance audit as a learning tool for management, we also recommend that audit information be shared more widely. This is in accordance with the World Bank's policy to support the public availability of information on public finances by encouraging borrowers to publish all audit reports on the activities it finances. The publication of audit reports could be included in future MoUs and contracts regarding disaster-related aid between donor organisations and implementing/recipient organisations. The Indonesian SAI, for example, recommends that MoUs and contracts should include the provision of audit reports to the Executing Agency of the government of Indonesia on at least an annual basis.

In chapter 6 of this report we will elaborate on the next steps that INTOSAI wants to take to establish a single information structure and an international framework for efficient and effective audits of disaster-related aid.

5 GIS and auditing disaster-related aid

5.1 Conclusion

Geographical information is an important aspect of disaster-related aid. Providing aid for a disaster is a geographical movement from source to destination (be it national or international). The Task Force believes that insight should be provided in this movement in order to construct an audit trail and thereby enhance accountability for disaster-related aid. Furthermore, disaster-related aid is intended for a geographical context in which needs must be addressed. The efficiency and effectiveness of aid is largely dependent on the geographical context, for example: infrastructure, impact of disaster, demography, soil characteristics, etc.

On the basis of its study, the Task Force believes that geographical information should be used to plan, coordinate and monitor disaster-related aid in order to prevent waste, duplication, harmful competition between aid organisations, fraud and corruption. Geographical information should, according to the Task Force, be part of a single information structure for disaster-related aid as described in the previous chapters. In addition, the Task Force found that using geographical information could also facilitate more efficient and effective audits of disaster-related aid.

5.2 Introduction to GIS and remote sensing

In the period 2005-2006 the Task Force studied the option of using a Geographical Information System (GIS) to plan, monitor and audit disaster-related aid. The Task Force strongly believes geographical information should be used to plan, coordinate, monitor and audit disaster-related aid. This belief is based on examples from the European Commission (monitoring and verifying the regularity of agricultural subsidies using GIS and remote sensing), the US General Accountability Office (various audits in which GIS was used[20]) and interviews and

[20] For examples of audits by the General Accountability Office, see www.intosai-tsunami.org.

documents from various humanitarian agencies (e.g. World Food Programme).

What is geographical information?
Geographical or spatial information is information with a reference to a specific location (for example zip codes or longitude and latitude coordinates). A Geographical Information System can be described as a computerised system that facilitates data entry, storage, analysis and presentation especially for spatial (geo-referenced) data.

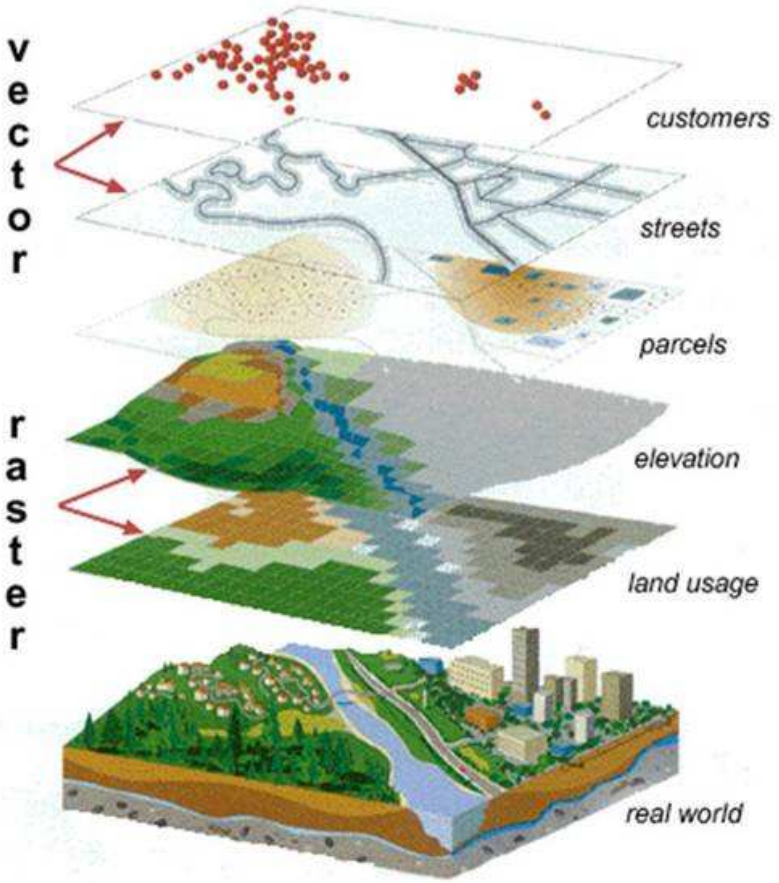


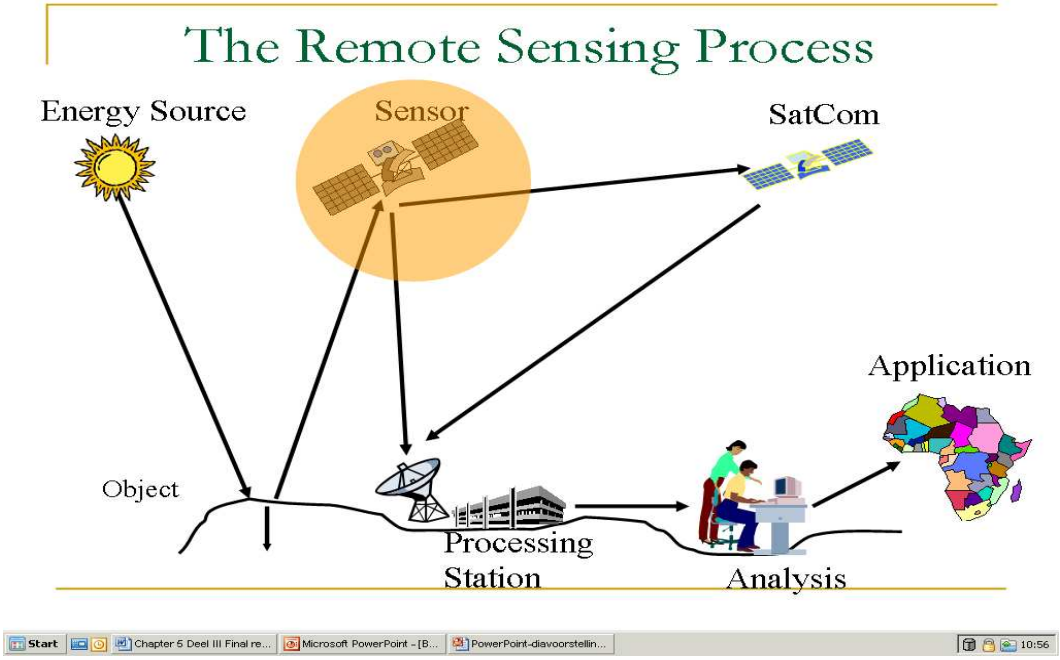
Image Source: Univ. of Western Ontario, http://ssnds.uwo.ca

GIS enables users to store and maintain a large quantity of geographically related information, to visualise and simplify complex data, to create new data from existing data, and to produce high quality maps.

The most powerful aspect of a GIS is that it allows users to perform complex analyses by linking data layers and overlaying different data sets to get a spatial perspective.

One method of acquiring geographical data is remote sensing. Remote sensing (RS) uses instruments, techniques and methods to observe the Earth's surface from a distance and to interpret the images or numerical values obtained to acquire meaningful information of particular objects on Earth[21]. Imagery taken from aeroplanes or from satellites is an example of remote sensing data.

[21] Buiten, H.J. and J.G.P.W. Clevers, 1993. Land observation by remote sensing: Theory and applications, vol. 3 of Current topics in Remote Sensing. Gordon & Breach, 1993. This reference is derived from Wietske Bijker and Harthanto Sanjaya, 2008. Use of Geographical Information



Source: ITC lecture slides on Principles of Remote Sensing for core module and distance education

For a further explanation of GIS and remote sensing, see www.intosai-tsunami.org.

5.3 Geographical information in planning, coordinating and monitoring disaster-related aid

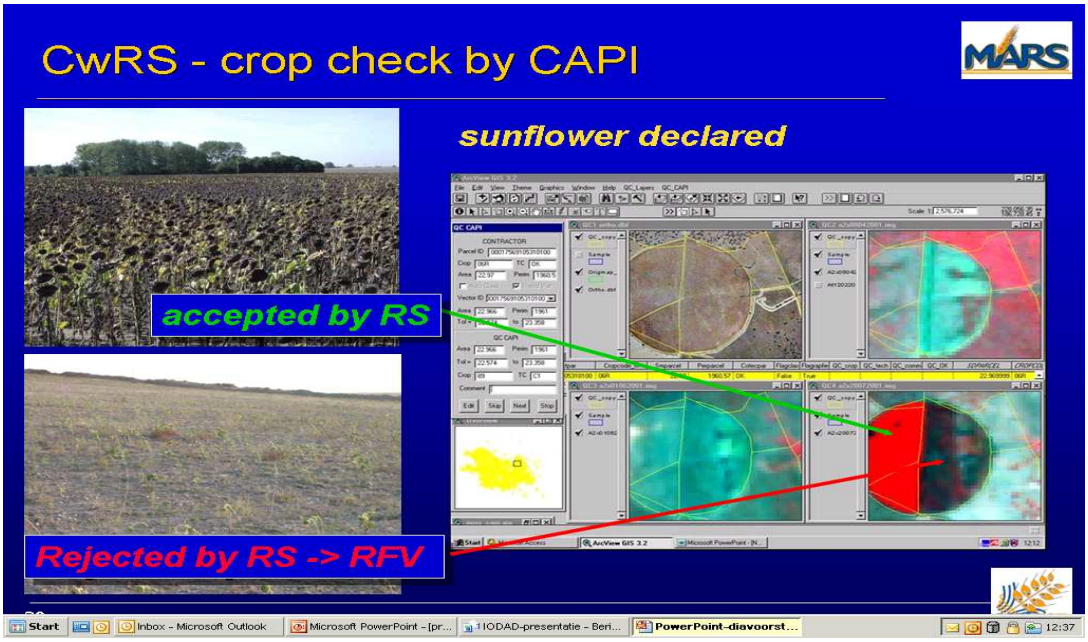
The technological advances of recent decades have significantly increased the quality and availability of remote sensing data . This has led to an increase in potential uses of remote sensing data. Images can be acquired with a high resolution of one meter and higher, which makes it possible to observe smaller objects such as houses, trucks, etc.

The Task Force has studied the possible uses of geographical information and found various examples of its use to plan and coordinate humanitarian aid. The United Nations World Food Programme, for instance, uses satellite images and GIS to locate refugees and plan the distribution of food. The International Criminal Court uses satellite images to locate refugee camps and to gather evidence on human rights violations such as the destruction of villages. An example that is more

System for Audit of Disaster-Related Aid. Final Report (SAADRA Program – TF 057426). www.intosai-tsunami.org.

closely linked to the audit practice is the verification of agricultural subsidies by the European Commission.

MARS project of the European Commission
Monitoring Agriculture through Remote Sensing (MARS) is a long-term project that has provided technical support and expertise to the European Commission's Directorate-General for Agriculture (DG VI) over several decades. The programme supports decision-making at European level, providing statistical input to implement the Common Agricultural Policy (CAP) and other activities of the Directorate-General for Agriculture. MARS has developed and implemented new remote-sensing methods and tools specifically for agriculture. They include measures to combat fraud in the implementation of the CAP (remote sensing is used to validate farmers' declarations of planted crops and acreages), measures to optimise the allocation of agricultural and environmental subsidies, and measures to monitor crops and yields using agro-meteorological models and low resolution remote sensing methods, and area estimates using high resolution data combined with ground surveys.



For the Tsunami disaster, satellite and airborne pictures were used to assess damage. This helped create a clear idea of the needs and to support the UN Flash Appeal. Various donors, such as the European Union and the government of Norway donated remote sensing data. In addition, satellite imagery taken before and after the Tsunami became widely

accessible on the internet and was used by many to gain an insight into the effects of the disaster. This imagery was provided by a number of international and governmental agencies such as the UN Institute for Training and Research (UNITAR) Operational Satellite Applications Programme (UNOSAT), the Center for Satellite Based Crisis Information (ZKI) of the German Aerospace Center (DLR) and the European Space Agency (ESA).

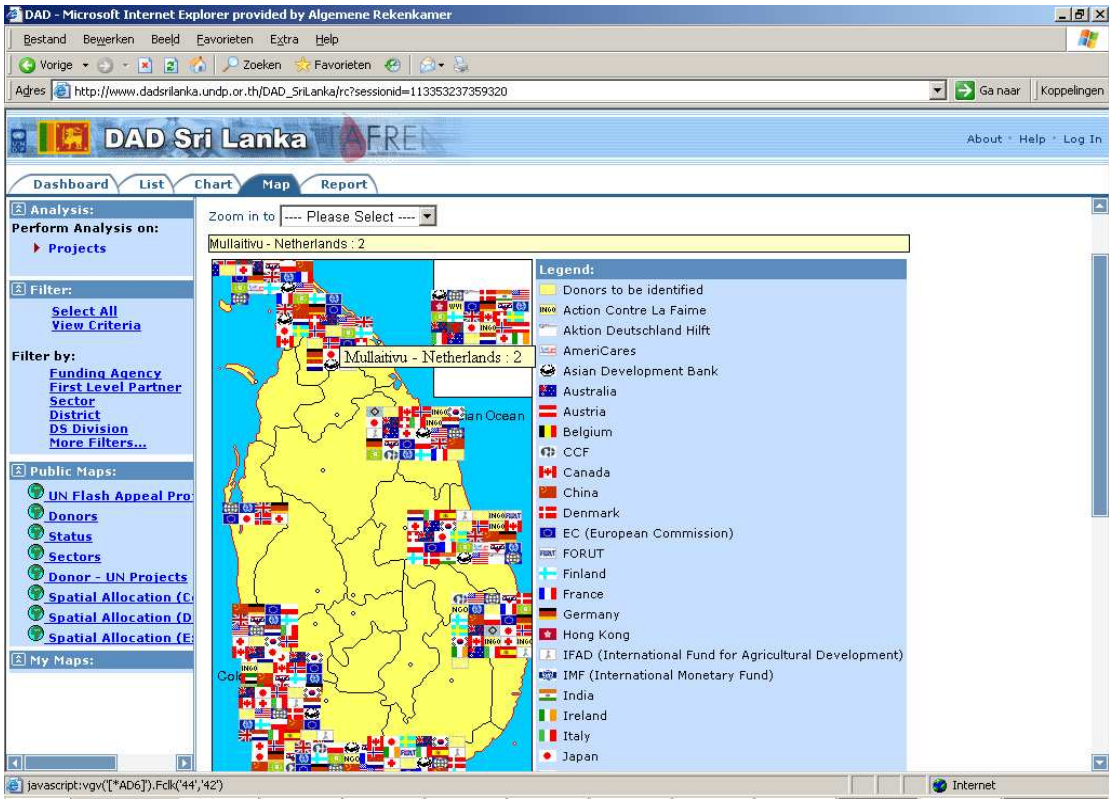
The availability of satellite data of disaster-affected areas is stimulated by the United Nations Office for Outer Space Affairs[22] and the International Charter "Space and Major Disasters"[23]. This Charter aims to provide a unified system of space data acquisition and delivery of value-added products free of charge for a limited short period to those affected by major disasters. Also worth mentioning in this regard is the Respond consortium[24]. Respond is an alliance of European and International organisations working with the humanitarian community to improve access to maps, satellite imagery and geographical information. There are currently 20 partners in the Respond consortium.

Geographical information can help prevent waste, duplication or gaps in addressing the needs of the affected societies during the planning and coordination of aid. Following the Tsunami, hundreds of aid organisations flew into Aceh, Indonesia, to provide aid. This led to a huge coordination task in the weeks immediately after the disaster for the United Nations Office for the Recovery Coordinator for Aceh and Nias (UNORC) and subsequently for the agency responsible for the recovery of Aceh and Nias, the BRR. Detailed geographical information can efficiently and effectively match aid provision with the needs.

[22] For more information, see the UN OOSA website: http://www.unoosa.org/oosa/index.html.

[23] For more information, see the International Charter Space and Major Disasters website: http://www.disasterscharter.org/index_e.html.

[24] For more information, see the Respond website: http://www.respond-int.org/respondlive/index.html.



Source: DAD Sri Lanka

The planning and coordination of Tsunami-related aid is supported by databases such as the Financial and Expenditure Tracking Systems and the Development Assistance Databases. As stated in the previous chapters, these databases contain information that is not reliable, because it is neither up-to-date nor verified or audited. Another disadvantage for the planning and coordination of aid is that these databases are not structured to contain geospatial data. The RANDatabase in Indonesia contains geospatial data for certain projects at district or sub-district level (sometimes even at village level) but not for all projects and where geospatial information is available it is not specific enough for planning, coordinating and monitoring purposes.

To plan and coordinate it is also necessary to have a basic geospatial dataset that is widely used so that planning and coordination is uniform. Such a geospatial dataset should contain a coordinate system, roads, infrastructure, rivers, mountains, administrative boundaries, settlement locations, coastline, etc. In Indonesia, for example, the basic geospatial dataset was out-of-date and the Indonesian governmental agencies used different datasets, which made planning and coordination more difficult. Furthermore, different village names and boundaries were used by national, provincial and local governments as geographical locations of aid activities. Having to deal with various dialects in Aceh and with no

formal agreement on administrative boundaries it was difficult to plan and coordinate aid using village names as geographical locations.

GPS data can be used to relate data to a location without having to rely on administrative boundaries or village names. A geospatial dataset would therefore be of value regardless of administrative boundaries or village names. Furthermore, geodetic or physical data, such as information on roads, buildings, rivers and mountains, remain unchanged over a longer period of time. Open access to this geographical information is an important condition for the effectiveness of aid planning and coordination.

Open access to spatial data has been taken up by several organisations in the UN structure. They have started the UN Spatial Data Infrastructure (UN SDI) programme to create an infrastructure for the exchange and sharing of spatial data. This initiative is also backed by the United Nations Office for Outer Space Affairs and the International Charter "Space and Major Disasters".

From the experiences in Aceh, Indonesia, it has become clear that aid should be planned and coordinated geographically instead of by sector in order to align projects in a certain geographical area. The Tsunami Evaluation Coalition made the same recommendation in its Synthesis Report.

5.4 Geographical information in auditing

As mentioned above, the Task Force has studied the potential uses of geographical information. An important part of the study was a pilot study of the added value of Geographical Information Systems and remote sensing to audit Tsunami-related aid in Aceh, Indonesia, focusing on the reconstruction and rehabilitation of housing. Details of the pilot study's results are presented in the final report[25] on our website, www.intosai-tsunami.org. The Task Force has also established a network of GIS and remote sensing experts who have provided useful knowledge and information[26].

[25] Wietske Bijker and Hartanto Sanjaya, 2008. Use of Geographical Information System for Audit of Disaster-Related Aid. Final Report (SAADRA Program – TF 057426). www.intosai-tsunami.org.

[26] The Agency of the Rehabilitation and Reconstruction for the Region and Community of Aceh and Nias (BRR), the Korean Aerospace Research Institute, Netherlands Institute for Aerospace Programmes (NIVR), Office of the United Nations Recovery Coordinator for Aceh and Nias (UN ORC), United Nations Development Programme, United Nations Office for the Coordination of

From its study of examples and the results of its pilot study, the Task Force strongly believes that geographical information systems and remote sensing can provide added value in auditing disaster-related aid. This added value can benefit all stages of an audit:

- Assessing relevant risks;
- Designing the audit;
- Conducting the audit;
- Analysing audit results;
- Communicating audit results.

5.4.1.1 Assessing relevant risks

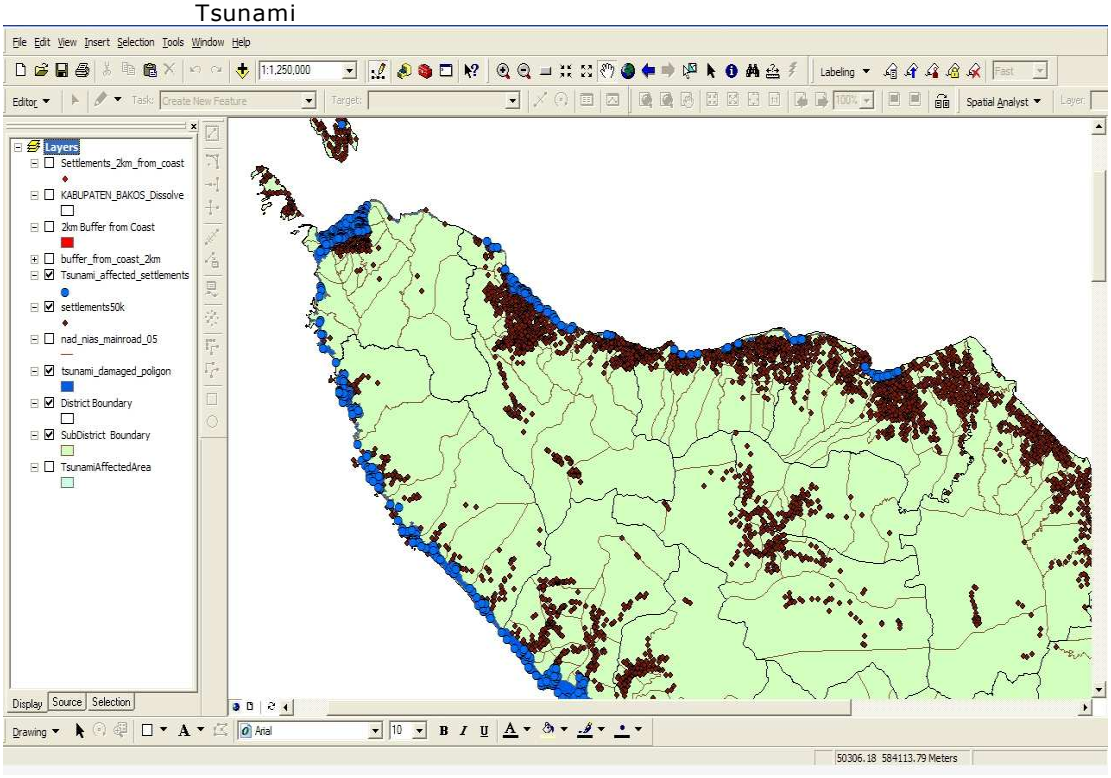
Audit starts with risk analysis and risk assessment to identify where the added value of the audit will be the highest. GIS and remote sensing can assist in analysing and assessing risks. GIS makes it possible to analyse various data attributes or layers in a geographical context, which would be difficult or complicated if using only spreadsheets. GIS can analyse, for example, the geographical spread of projects behind schedule, the use of certain contractors in the various regions, the geographical spread of funds allocated, demographic information, etc. Remote sensing data can be used to verify information in databases with information from the field (can houses registered as finished actually be seen on imagery?). Remote sensing data can also be used to pinpoint risks such as projects behind schedule, projects implemented in areas not planned, etc.

5.4.1.2 Designing the audit

When information is available on risks, GIS and remote sensing (GIS/RS) can assist in designing the audit, for instance when deciding on the audit focus and scope. To give one example, GIS and remote sensing can provide an insight into the number and geographical spread of projects on or behind schedule. It is easier and faster to determine whether houses have been built from field data overlaid on satellite imagery than from a table with numbers. It can then be decided to focus on projects behind schedule in order to audit contract management risks or to focus on projects on schedule in order to audit performance (quality of houses, occupation rates). Furthermore, GIS/RS can be used to plan sample sites and routing and to establish an optimal mix between field visits and remote sensing data: to which locations do we send a team and for which locations can we rely on remote sensing data (e.g. satellite imagery)?

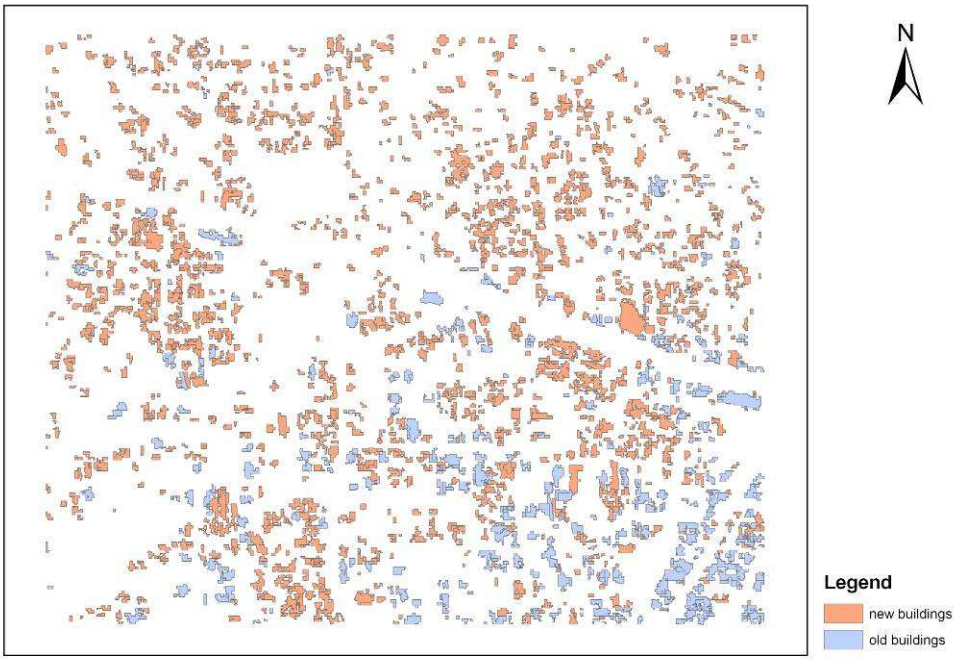
Humanitarian Affairs (UN OCHA), International Institute for Geo-Information Science and Earth Observation (ITC), Netherlands Coordinating Office of the UN Spatial Data Infrastructure Programme and others.

Example: overview of settlements in Aceh, Indonesia, affected by the Tsunami



Source: BRR and RANDatabase

New buildings detected by overlaying 2005 ortho-photos with 2007 Kompsat-2 satellite images



Sources: Du Ye, 2008 Verification of Tsunami reconstruction projects by object-oriented building extraction from high resolution satellite imagery. MSc thesis, ITC, Enschede, The Netherlands

5.4.1.3 *Conducting the audit*

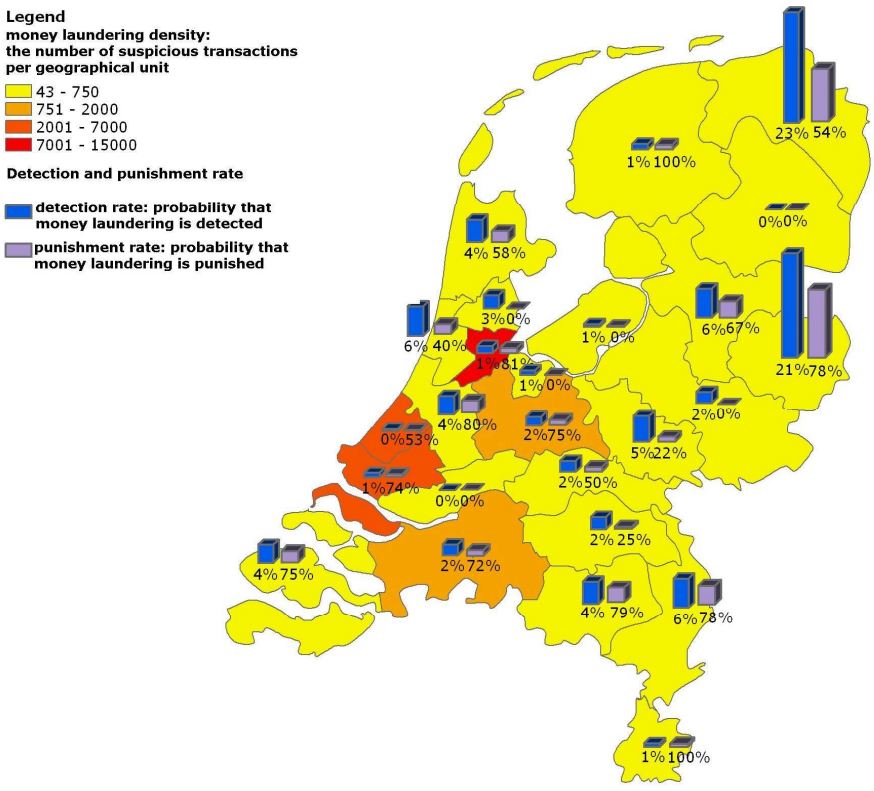
During the audit implementation phase, the audit team can use GPS devices and satellite-based maps to link audit field data to geographical data. This combination makes it possible to analyse field data in a geographical context not only at a later stage but immediately when coordinates are uploaded to GPS software and combined with maps: field data are directly and visibly mapped in a geographical context. The audit can then determine, for example, whether houses or infrastructure have been constructed at the right location.

5.4.1.4 *Analysing results*

As stated above, GIS makes it possible to analyse different layers of geographical information (such as audit findings combined with GPS coordinates), for instance settlements affected by the Tsunami, data on loss of school buildings, data on surviving children, location specific data (elevation, close to river or road) and schools built. With this kind of analysis, performance can be measured: have schools been built in areas where children need schools?

Visualising results with GIS can also provide an insight into geographical differences in the performance of public organisations. In the case of the Tsunami the performance of local government can be benchmarked. In the case of a disaster it can also be interesting to benchmark government performance to that of NGOs because a disaster is probably one of the few occasions on which the government does not have a monopoly on implementing activities. With GIS/RS, government and NGO performance can be compared within or between areas. Performance of NGOs is only used as a reference in this regard because most SAIs do not have a mandate to audit NGOs.

The Netherlands Court of Audit used GIS to compare the performance of the investigation units of local police forces and the Public Prosecution Service with regard to combating money laundering. The performance was visualised in combination with suspicions of money laundering.



Source: FIU Netherlands, Public Prosecution Service and Netherlands Court of Audit

5.4.1.5 *Mapping and communicating results*

With GIS/RS, audit findings and other data can be mapped and displayed to support the main audit conclusions and recommendations and facilitate communication of the results. This is illustrated in the figure above

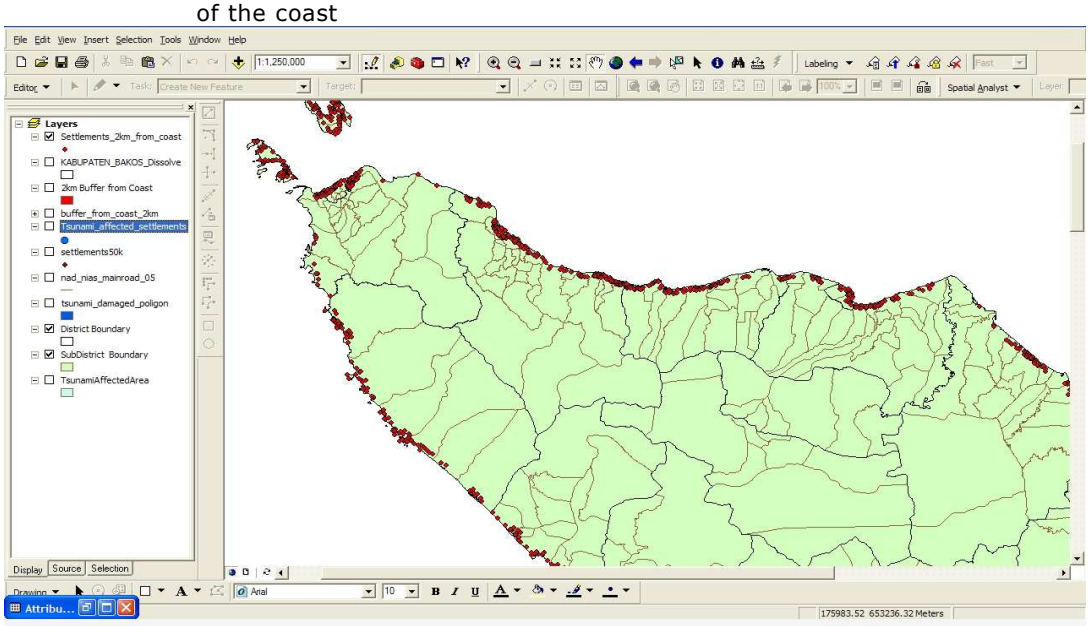
showing the performance of local police investigation units and the Public Prosecution Service with regard to combating money laundering and the volume of money laundering.

5.4.1.6 *Example of using GIS in auditing disaster-related aid*

The Indonesian government issued a decree stating that houses destroyed by the Tsunami can be rebuilt only at locations more than two kilometres behind the coastline. This is to prevent damage and loss of life should a new Tsunami strike the coast of Aceh. The Agency for the Rehabilitation and Reconstruction of Aceh and Nias (BRR) has to comply with this decree. Organisations building houses with overseas grants do not have to.

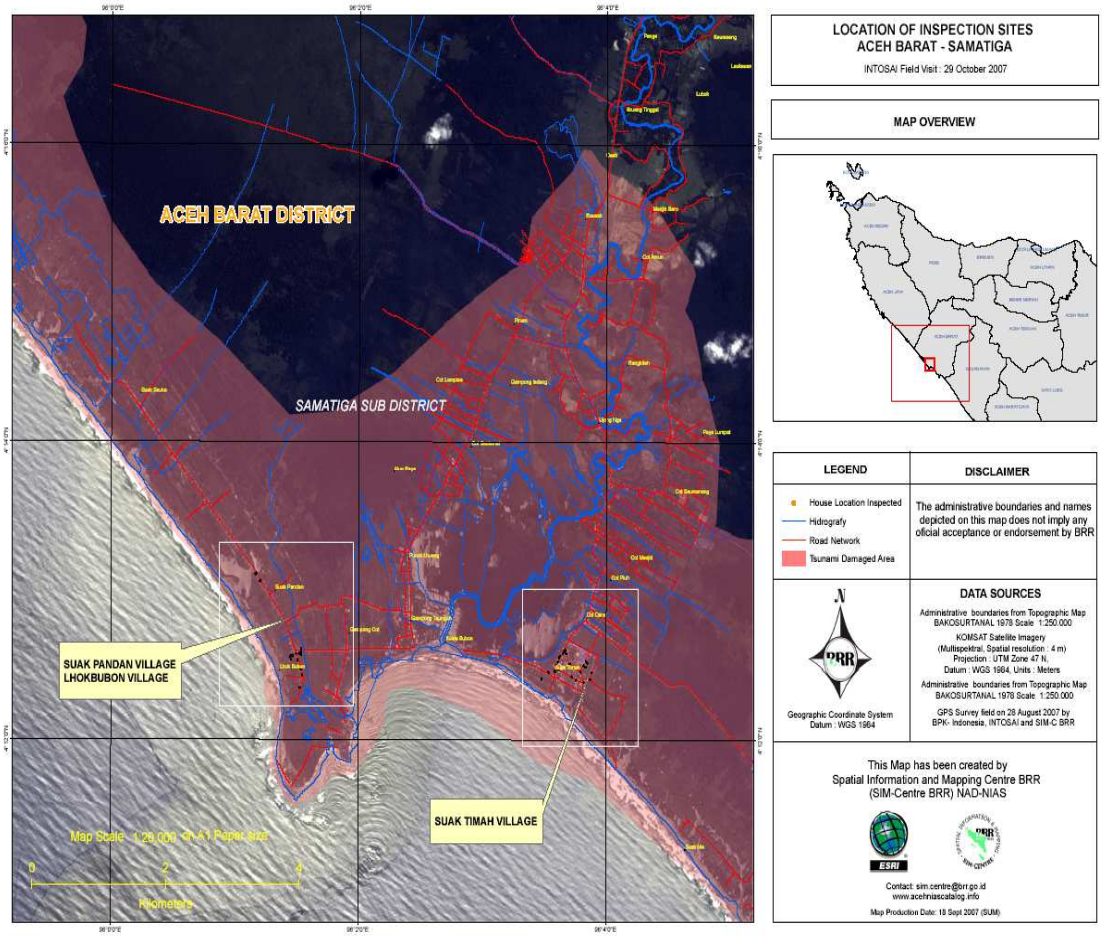
For the SAI of Indonesia, it would be of interest to establish whether newly built houses are within two kilometres of the coast or not. The first step in such an audit should be a risk analysis (where are house building projects located?) and a sample selection. GIS can be used for this. In the following example a multi-layer GIS analysis is used to gain an overview of settlements that were damaged by the Tsunami and are located within two kilometres of the coast. The overview uses data from the RANDatabase managed by the BRR.

Settlements in Aceh, Indonesia affected by the Tsunami and within 2 km of the coast



Source: BRR and RANDatabase

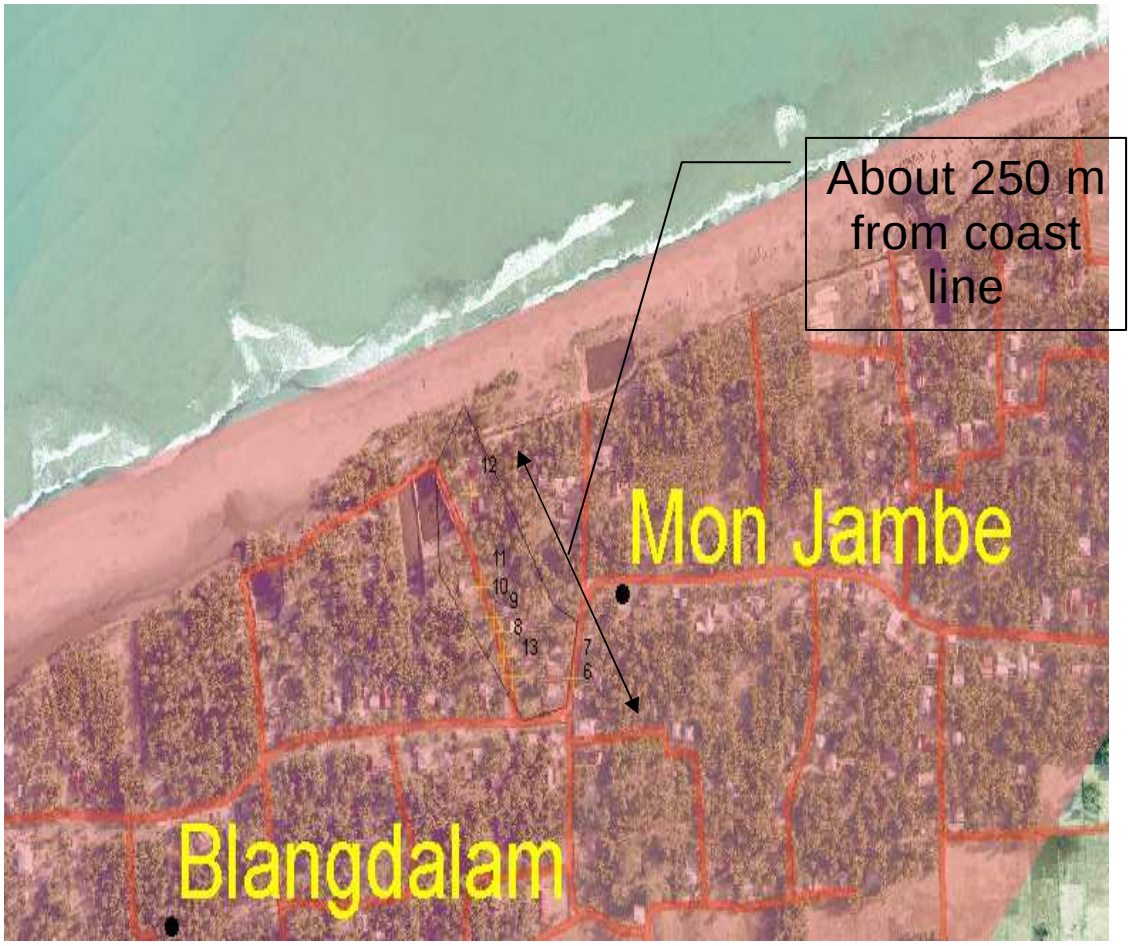
A sample can be selected on the basis of the attribute data: implementing agency or contractor, location, project size, costs involved. Other data can also be used for this selection, for instance data on households (family size, casualty numbers, etc.).



Source: BRR, KARI and INTOSAI Task Force

For our pilot study we selected a number of villages on the east and west coasts of Aceh. The map above shows an area of the west coast based on a satellite image combined with GIS data layers.

The Task Force pilot study team went into the field and took GPS coordinates of a number of newly constructed houses. Audit information was also recorded, for example: are the houses finished, are they occupied and is drinking water and sanitation available? The results of the field trip were combined with the available satellite data:



Source: BRR, KARI and INTOSAI Task Force

The numbers on the map indicate GPS coordinates of newly constructed houses. The distance to the coast was calculated from the coordinates and overlaid on the map. It can be seen that a number of houses in this village were constructed within the two-kilometre buffer zone.

5.5 Lessons and future activities

Geographical information is of value for the planning, coordination monitoring and auditing of disaster-related aid. Firstly, satellite and aerial imagery provides a crucial insight into the damage so that needs can be assessed. Secondly, with a basic geospatial dataset used by all parties, planning and coordination will be based on the same geographical data. This geospatial dataset should contain a coordinate system, roads, infrastructure, rivers, mountains, administrative boundaries, settlement locations, coastlines, etc. Thirdly, open access to geographical information is an important condition for the effectiveness of planning and coordination. One example is the sharing of available satellite data to

assess damage and needs. Fourthly, geographical information facilitates the geographical planning and coordination of aid in order to align projects in a certain geographical area. To facilitate a geographical approach to the planning and coordination of disaster-related aid, all aid organisations participating in the relief activities should regularly (or at key stages in their projects) provide precise and timely geographic information on their activities to coordinating agencies and other stakeholders as part of a single information structure.

In the audit of disaster-related aid, geographical information can be used in the risk assessment, audit design and audit implementation stages and in the analysis and communication of audit results. The successor of the Task Force, the Working Group on the Accountability for and Audit of Disaster-related Aid, will develop guidance for SAIs on how to use geographical information in audits, training materials, and set up a knowledge centre on GIS & Audit and a network of relevant stakeholders in the period 2008-2010.

6 Lessons and Agenda 2008-2010

6.1 Introduction

The Task Force found that the following issues were hampering the accountability and transparency of disaster-related aid and thereby hampering the learning process facilitated by evaluations, inspections and audits:

- Lack of a single information structure for disaster-related aid;
- Lack of a framework for the efficient and effective audit of disaster-related aid (single audit).

With regard to auditing disaster-related aid, the Task Force concluded that SAIs and other relevant stakeholders should implement and further develop the use of new techniques and technologies to facilitate efficient and effective audits. The Task Force found specifically that the use of Geographical Information Systems and Earth Observation via satellites has great benefits and the potential to make audits of disaster-related aid more efficient and effective.

6.2 Single information and single audit

6.2.1 Single information

Data are needed to plan, coordinate, monitor and audit disaster-related aid. In the case of the Tsunami we found that the lack of specific, comparable and reliable data hampered the planning, coordination and monitoring of aid and also prevented learning and improving disaster management because aid flows could not be followed from source to destination (audit trail).

Reasons for the lack of data include:

- Organisations are not obliged to account on a disaster-by-disaster basis;
- Organisations are not obliged to provide information to aid coordination databases;

- Accountability and reporting standards do not apply to all aid organisations;
- Accounting and reporting standards are not harmonised;
- Accounting and reporting standards are not specific, leaving room for interpretation;
- Data provided to aid coordination databases are not verified or audited;
- Assurance statements on accountability information generally relate only to financial information.

The Task Force suggests that a single information structure[27] be put in place consisting of up-to-date, reliable and complete data on disaster-related aid. This information structure should form a framework for aid coordination databases and for the accountability information provided by individual aid organisations.

A single information structure would encourage the harmonisation of criteria, definitions and standards, cooperation and coordination to improve the management of disaster-related aid and prevent waste, the negative consequences of competition, fraud and corruption. It would also facilitate an audit trail that could be used to assess the regularity, efficiency and effectiveness of the aid provided. A single information structure would also enable a framework for more efficient and effective audits.

6.2.2 Framework for more efficient and effective audits (single audit)

Due to the complexities of the aid sector (e.g. aid loses its identity) and the lack of a single information structure it is difficult to assess who should provide assurance on what part of the aid flows. To address this problem, cooperation and coordination is needed between auditors. In the case of the Tsunami such coordination and cooperation has been lacking: audit missions were not combined, audit results were not made available and were not actively shared.

What is needed, according to the Task Force, is a framework for efficient and effective audits, culminating in a single audit. Not only does better audit coordination and cooperation prevent duplication of efforts by auditors it can also prevent gaps in audit coverage. Since not all audit results are published, not all organisations use the same criteria,

[27] For an explanation of single information and single audit, see chapter 1 for a Dutch example of earmarked funds provided to local government

definitions and standards and not all organisations are obliged to provide assurance on their handling of Tsunami-related aid, it is not transparent what parts of the Tsunami-related aid flows are covered by an acceptable assurance statement issued by an independent auditor.

If information is audited in a widely accepted single information structure, the results can be used in other audits without the information itself having to be re-audited. This would reduce the audit burden and make better use of scarce and costly capacity.

6.2.3 Conditions for single information and single audit

The Task Force believes that the first and foremost condition that should be met in order to put single information and single audit in place is the willingness of the various stakeholders to cooperate in order to establish:

- standardised accountability information that meets the information needs of relevant stakeholders;
- harmonisation and standardisation of definitions and accountability and reporting standards;
- clear criteria and requirements that provide the relevant stakeholders with sufficient assurance on aid expenditure;
- risk-based reviews to verify the adequacy of the audits conducted and follow-ups to review findings.

We realise that this is an ambitious objective but we also see that the Tsunami disaster has resulted in a strong willingness to further harmonise humanitarian donorship, to collectively learn from the lessons of aid delivery for disaster-affected areas and to enhance accountability, transparency and audit of disaster-related aid.

6.2.3.1 What is needed for a single information structure?

First of all, an organisation that raises funds for a specific disaster has a duty to provide donors and beneficiaries with specific accountability information on how those funds are spent.

Furthermore, all relevant stakeholders (including SAIs) have a duty to be transparent and accountable regarding the results expected of their activities given the circumstances in disaster-affected areas: the situation in most disaster-affected areas is too complex for simple and quick solutions. Therefore, fundraising should be based on real needs or realistic estimates of needs. There should be accountability and transparency regarding:

- The amount required to carry out the activities planned/the fundraising plan, the objectives of the fundraising campaign, the amounts to be raised and the use of the funds raised;
- The campaign accounts should state the amount of donations received, reiterate what amount is required to meet actual needs – duly adjusted if necessary – and, on the basis of a comparison between the two, whether a supplementary appeal should be launched or a reallocation should be proposed.

Accountability requirements should match the different stages in the provision of disaster-related aid. In the first stage, that of emergency assistance, accountability requirements should not stand in the way of saving lives. In the relief stage, accountability and transparency should focus on inventory administration, logistics and distribution in order to meet needs as efficiently and effectively as possible. In the later stages of rehabilitation and reconstruction, accountability should focus on financial and performance accountability to provide an insight into the regularity, efficiency and effectiveness of the spending of disaster-related aid. We therefore suggest that a clear marker be set between relief on the one hand and rehabilitation and reconstruction on the other and that accountability requirements be modified accordingly.

To put a single information structure in place, there should be agreement on the data elements that such a structure should contain. We realise that reaching the necessary agreement will be a challenging task, in which various interests must be respected. We therefore recommend a step-by-step approach in which groups of stakeholders at the same organisational or geographical level (e.g. multilateral development banks or UN agencies or different stakeholders at a national level) work on establishing a common dataset that addresses all the information needs within the group. Once established, these common datasets can be shared to serve as best practices for other groups working towards an internationally agreed dataset.

On the basis of our findings and experience we suggest that the following data should be part of a single information structure in order to provide an audit trail that serves the information needs of various stakeholders (fund providers and beneficiaries):

- The amounts provided to each country identified by specific disaster;
- The source (i.e. donor) of the funds, the destination (i.e. next organisation in the chain), and geographical information regarding the location of specific projects (preferably with geographic coordinates) in order to facilitate a geographical approach to aid delivery;

- The amounts provided to each destination;
- The purpose of the expenditure in each destination (if earmarked);
- The objectives and targets to be achieved;
- Performance indicators, targets and benchmarks to monitor the achievement of objectives and to enable future results to be interpreted against expectations;
- Reliability of the information (Is it verified or audited? When was the information provided?);
- This set of data fields needs to be provided, updated and verified/ audited by all aid organisations;
- A set of harmonised definitions of the data fields (end of relief phase, but also what is a temporary home and a permanent home?);
- A set of binding criteria on the provision of information (currency, exchange rate);
- A set of benchmark and performance criteria (cost margins have to apply to the whole chain, if not: comply or explain).

The single information structure could be enforced by embedding it in accountability and reporting requirements before aid organisations receive funds. It could also be incorporated in accreditation or certification schemes for aid organisations. In this regard providers of funds, such as governments and multilateral organisations, should include accountability and transparency requirements in their policy frameworks, in the funding mechanisms they set up and in their agreements with recipient institutions and organisations that handle public funds for disaster-related aid. The aim is to assess the regularity, efficiency and effectiveness of the resources provided. The providers should also assign disaster relief funds precisely and unambiguously to a specific, predetermined purpose to make it possible to check that resources have actually reached the final beneficiaries as intended.

6.2.3.2 Overview of a single information structure

If definitions and accountability and reporting standards are harmonised and standardised and the relevant stakeholders agree on the basic data elements that accountability information should contain, a single information structure can be established. The agreed data elements can provide an audit trail for disaster-related funds from source to destination at an individual level (single source, for instance an organisation) and therefore also at a wider level (multiple source, for instance the United Nations or a national body) and, finally, a sector-wide overview.

6.2.3.3 What is needed for a single assurance framework?

Following agreement of the basic data elements and harmonised criteria, definitions and standards, a single information structure would enable a framework for more efficient and effective audit. Such a framework also needs clear criteria and requirements to provide the relevant stakeholders with sufficient assurance on aid expenditure.

If information is audited in a widely accepted single information structure, the results can be used in other audits without the information itself having to be re-audited. This requires the following:

- Insight into aid flows and related assurance mandates;
- Audit coordination and cooperation;
- Capacity to audit financial and non-financial data and to review audit results;
- Availability and active sharing of audit plans;
- Availability and active sharing of audit results.

The reliability of the accountability information should also be made transparent in national and international aid coordination databases. We suggest that a data field be added to aid coordination databases to indicate the reliability of the information. To facilitate accountability to the final beneficiaries we also suggest that final beneficiaries and civil society organisations be allowed to interact openly and transparently by means of an interactive feature in aid coordination databases with donors, implementing agencies, contractors and the coordination agency.

The HOAP initiative within INTOSAI (see chapter 4) can serve as an example for SAIs and other assurance providers on how to establish a framework for efficient and effective audit of disaster-related aid. The basis for such a framework lies in the willingness to harmonise audit arrangements and audit criteria and to share and rely on the audit work of others. In line with the HOAP initiative and our suggested step-by-step approach to establish a single information structure, we suggest that different assurance providers on the same disaster-related aid flows establish a common framework to conduct efficient and effective audits. Once established, the common framework can be shared and served as best practice for other groups working towards an internationally agreed framework.

6.3 The use of GIS

The Task Force has concluded from its study that Geographical Information Systems and remote sensing create added value for planning, coordinating, monitoring and auditing disaster-related aid. The Task Force's successor, the Working Group, will focus on the following activities:

- Guidelines on how to use GIS/RS in auditing (ISSAI 5500);
- Procurement of satellite imagery for auditing;
- How to assess the quality of geo-data;
- Auditing geo-data;
- Using GIS in the audit process;
- Developing a model audit design on how to use GIS/RS to audit disaster-related aid;
- Gathering examples of best practice audits and evaluations that used GIS/RS;
- Developing GIS and RS training materials;
- Setting-up a GIS & Audit knowledge centre;
- Developing and broadening a network of relevant stakeholders.

The Working Group will also urge governments and public organisations to adopt a geographical approach to plan, coordinate and monitor aid and to promote the use of a single geo-data structure.

The activities will be carried out by members of the Working Group and a network of relevant stakeholders, such as GIS and remote sensing specialists, universities and aid organisations that use GIS and remote sensing in their operations.

6.4 Stakeholder approach

The triennial INTOSAI Congress in Mexico approved the Task Force's suggestion to broaden its scope from Tsunami-related aid to disaster-related aid in general and to continue as a formal INTOSAI Working Group. The Congress also approved the Work Plan 2007-2010 that was presented to it.

The Working Group on the Accountability for and Audit of Disaster-related Aid, chaired by the European Court of Auditors, will focus on two activity packages:

1. Guidance and best practices on the audit of disaster-related aid for SAIs.

2. Guidance and best practices on accountability and disaster-related aid flows for national governments, international institutions and humanitarian aid organisations, including NGOs.

The Working Group will focus primarily on the following issues that were derived from the Task Force's study of Tsunami-related aid:

- The need for a single information structure for disaster-related aid;
- The need for a framework for the efficient and effective audit of disaster-related aid (single audit);
- The need to develop tools and techniques to audit disaster-related aid (GIS and remote sensing).

The importance of these issues varies between the different stakeholder groups and channels. To secure a single information structure for disaster-related aid and its efficient and effective audit, the Task Force's successor (the Working Group) will seek close cooperation with the various stakeholder groups and channels. The approach should be tailor-made: every stakeholder will be supported and motivated by the Working Group in the most suitable way and through the most appropriate entry point.

Agenda 2008-2010 will therefore be based on a matrix that sets out the strategy for each channel. The Working Group will work out the agenda to achieve its goals and the various issues it expects to cover in each channel. The main issues to emerge from the Task Force's efforts to establish an audit trail of Tsunami-related aid are the lack of an internationally accepted and applied information structure (single information structure) and the lack of an international framework for the conduct of efficient and effective audits (single audit). The SAIs should also adopt new technologies to audit disaster-related aid. In the Task Force's opinion, Geographical Information Systems and Earth Observation by satellite are very promising.

Stakeholder matrix:

Issue/Channel	Multilateral institutions	Aid organisations (NGOs, Red Cross)	Private sector auditors	Auditees (government, EU)	INTOSAI and its member SAIs
Single information					
Single audit					
GIS/RS					

6.4.1 Issues and strategy per stakeholder cluster

6.4.1.1 Multilateral institutions

In this channel of humanitarian and disaster-related aid, several relevant stakeholders can be distinguished, such as UN organisations (UN funds and programmes and specialised agencies) and Multilateral Financial Institutions (e.g. Asian Development Bank, African Development Bank and World Bank). The Working Group will support these organisations and adapt its activities to the ongoing initiatives and developments regarding harmonisation, accountability and efficient and effective audit. The Working Group will also seek to influence relevant stakeholders and platforms regarding harmonisation, accountability and efficient and effective audit of disaster-related aid. Multilateral institutions could be approached in various ways, for example:

- Through SAIs and INTOSAI members that are the external auditors of multilateral institutions, such as the UN Board of Auditors;
- Through special bodies such as the Panel of External Auditors of the United Nations, the United Nations Office of Internal Oversight Services (UN OIOS), the Representatives of Internal Audit Services of the United Nations and international financial institutions, the Development Assistance Committee of the OECD (OECD-DAC);
- Through the auditees of SAIs that are members of the boards of the organisations belonging to the United Nations structure and of international financial institutions;
- Through platforms or organisations involved in harmonisation, accountability and efficient and effective audit of disaster-related aid, such as the United Nations Office for the Coordination of Humanitarian Affairs (UN OCHA).

6.4.1.2 Aid organisations

A distinction should be made between the geographical level at which aid organisations are relevant (national or international) and their function in providing aid (fundraiser, distributor or implementer of aid). There are several relevant clusters of stakeholders: international non-governmental organisations (INGOs), the Red Cross and Red Crescent Movement, national NGOs, foundations, lotteries, religious organisations and private initiatives. The Working Group will focus its support on the INGOs, NGOs and Red Cross and Red Crescent Movement and adapt its activities to ongoing initiatives and developments regarding harmonisation, accountability and efficient and effective audit. This is because foundations, lotteries, religious organisations and private initiatives are not linked directly to any coordinating mechanism or to any specific accountability and transparency regulations. The Working Group will also seek to influence relevant stakeholders and platforms regarding harmonisation, accountability and efficient and effective audit of disaster-related aid. Aid organisations could be approached in various ways, for example:

- Through national or international platforms of aid organisations;
- Through the auditees of SAIs that are donors or recipients of disaster-related aid provided by aid organisations;
- Through the external auditors of these organisations;
- Through accountability, reporting and audit standard-setting bodies;
- Through certifying or accrediting bodies of aid organisations.

6.4.1.3 Private sector auditors

With regard to private sector auditors, a distinction should be made between the individual private audit firms and their representative bodies. The Working Group will focus its activities mainly on the representative bodies and platforms of private sector auditors (e.g. IFAC).

To a lesser extent the Working Group may also contact the main private sector firms that audit organisations involved in fundraising and/or providing disaster-related aid.

6.4.1.4 Auditees

SAIs have a direct relationship with their auditees. The auditees consist of donors and recipients of disaster-related aid and, at an operational level, of coordinating and implementing agencies. The Working Group will focus its support on auditees and adapt its activities to ongoing initiatives and developments regarding harmonisation, accountability and efficient and effective audit, such as the Development Assistance Committee of the

OECD, the Declaration of Paris, Good Humanitarian Donorship and developments and initiatives within multilateral organisations (United Nations and international financial institutions), where the relevant boards consist of the auditees of SAIs. The European Court of Auditors is in a special position in that it is the external auditor of the European Commission, one of the major donors of disaster-related aid and humanitarian aid in general.

A relevant development is the discussion of the accreditation of aid organisations. We suggest governments embed accountability and transparency requirements for aid organisations in the rules and regulations in place to establish a charity, in contracts and in MoUs with aid organisations.

Furthermore, SAIs play a special role in assessing the disaster management and preparedness of their auditees. Our study found that auditees should analyse the flexibility of budget procedures and match their budget system to special aid coordination databases such as the DAD. Another issue we found regarding disaster management and preparedness is the importance of knowledge sharing and capacity building. We suggest that governments include an exit strategy for the transfer of knowledge to relevant public and private institutions in the case of a disaster.

6.4.1.5 INTOSAI

We suggest that SAIs enhance their disaster preparedness by analysing their countries' exposure to natural disasters and consider studying or auditing the disaster preparedness of their national governments and institutions. Furthermore, SAIs should analyse and assess their own capacity to provide assurance on disaster-related aid and coordinate their respective audit competences, standards and procedures by mutual agreement to ensure effective joint SAI cross-border audits.

As well as cooperation among SAIs, SAIs should seek cooperation outside their regular contacts. For instance cooperation could be sought with civil society organisations that provide valuable information on the situation on the ground. SAIs can also work with other assurance providers (auditors of local government, private sector auditors) to make sure there are no gaps in assurance, no significant differences in standards, no definitions that vary the scope of the assurance provided from one assurance statement to another, no duplication of audits.

To help SAIs carry out efficient and effective audits, the Working Group will develop guidelines for SAIs with regard to auditing disaster-related aid. The Working Group will also develop INTOSAI GOV guidance for public organisations that are involved in the accountability, transparency and provision of disaster-related aid.

The Working Group will work closely with INTOSAI and will actively involve relevant initiatives in its activities, such as:

- Task Force on the Auditing of International Organisations;
- EUROSAI Working Group on Environmental Auditing, Task Force on the audit of Funds Allocated to Disasters and Catastrophes;
- Harmonisation of Overseas Audit Practices (HOAP).

6.5 Further elaboration of the Work Programme

The European Court of Auditors assumed the Chair of the Working Group from the Netherlands Court of Audit in January 2008. The Working Group developed and endorsed the Work Programme, the division of responsibilities and a timetable to achieve the goals for the 2008-2010 programming period at its first meeting in July 2008 in Luxembourg. The Work Programme is available on the website www.intosai-tsunami.org.