



INTOSAI Working Group
Accountability for and Audit of Disaster-related Aid (AADA)



FINAL REPORT
of the INTOSAI Working Group
on Accountability for and the Audit of Disaster-related Aid



Presented to the XXI INCOSAI, 22 – 26 October 2013, Beijing, China

Cover image:

Van, Turkey, October 2011 – earthquake measuring 7.1 on the Richter scale: A two-week old baby is pulled alive from the rubble

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Foreword



To eradicate extreme poverty and hunger remains one of the world's most urgent challenges. Disaster can strike at any moment and undermine national and international efforts to combat poverty, relieve suffering and build a more just world. During the last 12 years 1.1 million people were killed by disasters, 2.7 million people were affected and the economic losses amounted to an estimated 1.3 trillion USD. When disaster strikes humanitarian aid often plays a vital role in saving lives, alleviating poverty and maintaining human dignity. The total humanitarian response in 2012 was USD17.9 billion, of which governments contributed USD12.9 billion. However, the global economic crisis is beginning to affect aid levels, and in 2012, 37.3% of humanitarian financing needs remained unmet.

Aid must therefore be used carefully and effectively. Through their audits SAIs can provide assurance that money has been spent as intended and help to raise the efficiency and effectiveness of aid. In this way, SAIs can contribute towards lowering the number of deaths, reduce suffering and improve recovery from disaster. WGAADA has drafted five ISSAIs on auditing disaster-related aid to assist SAIs in this. In a separate proposal, the Working Group has developed and tested the Integrated Financial Accountability Framework as a means to improve the transparency and accountability of humanitarian aid. The Working Group has prepared guidance in the form of an INTOSAI GOV for aid providers and recipients.

The Working Group invited comments on the draft guidance both from the INTOSAI community and from third parties. Many SAIs, UN organisations, the World Bank and NGOs expressed their appreciation for the quality of the guidelines presented and welcomed the financial reporting framework developed by the Working Group.

The European Court of Auditors has had the honour of chairing this INTOSAI Working Group for the past six years. I am grateful to the two vice-chairs of the Working Group, the Audit Board of Indonesia BPK and the Netherlands Court of Audit as well as to all the SAIs which were members of the Working Group for their countless valuable contributions. Through its work and its output, the Working Group and INTOSAI have become part of a worldwide movement for improving the accountability and transparency of aid. SAIs are well-positioned to promote good governance in the administration of humanitarian aid. The challenge before us is to help governments and their partners maximise the impact of aid - its economy, efficiency, and effectiveness - while minimising the risks of fraud and corruption, to the benefit of the victims of humanitarian disasters. This goes beyond being a professional challenge; it is above all a moral obligation.

Gijs de Vries,

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Member of the European Court of Auditors, the SAI of the European Union*

30.9.2013

1 History, mandate, members and organisation of the Working Group

1.1 On 26 December 2004, the third biggest earthquake ever recorded struck off the west coast of Sumatra, Indonesia. It triggered a series of devastating tsunamis along the coasts of most landmasses bordering the Indian Ocean, killing over 230,000 people in fourteen countries, and inundating coastal communities with waves up to 30 meters high. It was one of the deadliest natural disasters in recorded history. Indonesia was the hardest hit country, followed by Sri Lanka, India, and Thailand. The plight of the affected people and countries prompted a worldwide humanitarian response. In all, the worldwide community donated more than USD14 billion in humanitarian aid.

1.2 This vast amount of aid flowed from many different donors to many different recipients. SAIs and other stakeholders assessed the situation and found that there was little information on aid flows and that it was difficult to establish an audit trail. In 2005, INTOSAI decided to contribute its collective auditing experience to the international community to enhance the accountability for and the transparency of disaster-related aid. The aim was to establish an overview of the tsunami-related aid flows based on the information provided by individual stakeholders (donors, international organisations, intermediary bodies and recipients) and to collaborate on the audit of the aid.

1.3 The INTOSAI Governing Board established the INTOSAI Task Force on the Accountability and Audit of Emergency Aid in November 2005. The Task Force concluded there was a need for international agreement on a single information structure, which would also allow for the establishment of an audit trail. It also pointed out that new technology (such as Geographical Information Systems, GIS) could be used to audit disaster-related aid. The Task Force recommended that guidance should be prepared on good practice for financial reporting in this area and on appropriate tools for auditors of disaster-related aid. INTOSAI accordingly set up the INTOSAI Working Group on Accountability for and the Audit of Disaster-related Aid at the XIX INCOSAI in Mexico in 2007.

1.4 INCOSAI in 2007 gave the Working Group the mandate:

to strive for enhanced accountability and transparency of disaster-related aid, in close cooperation with relevant stakeholders, by addressing the issue of the lack of a single information structure, and

to develop guidelines and best practices for SAIs auditing disaster-related aid.

1.5 In 2010 the XX INCOSAI in South Africa commended the work being undertaken and extended the mandate by asking the Working Group to examine the usefulness of its work for the whole of humanitarian aid.

1.6 The Working Group translated the two overall objectives into a dozen concrete tasks (see annex 1). In addition to guidelines on the audit of disaster-related aid and on the audit of the disaster-preparedness of governments, awareness of the risks of fraud and corruption and the use of GIS as an audit tool were identified as topics warranting specific guidelines.

1.7 The Working Group addressed important stakeholders (donor and recipient governments, international organisations and aid organisations) and standard setting bodies, such as OECD/DAC, the Good Humanitarian Donorship (GHD) and the Representatives of Internal Audit Services of United Nations organisations and multilateral financial institutions and other associated intergovernmental organisations (RIAS).

1.8 The SAIs responsible for drafting the audit guidance on disaster-preparedness (SAI of Turkey) and disaster-related aid (SAI of Indonesia) organised and coordinated audits and surveys. In addition to taking on responsibility for a number of tasks, the European Court of Auditors monitored and coordinated the work of the other SAIs involved. The INTOSAI Governing Board and the Steering Committee of the INTOSAI Knowledge Sharing Committee were regularly informed about the progress made. The secretariat of the Working Group made available a website at <http://eca.europa.eu/intosai-aada>.

1.9 At the end of its second term, the Working Group had completed its work and presented to the XXI INCOSAI in China in October 2013:

a new 5500 series of five ISSAIs on auditing disaster-related aid including examples of good practice provided by SAIs which were WG members or which participated in coordinated audits, surveys or widespread consultation on auditing disaster-related aid;

an INTOSAI GOV presenting the Integrated Financial Accountability Framework (the IFAF), for reporting and making publically available transparent, audited financial information on humanitarian aid, and

a final report on the work of the Working Group.

1.10 Since 2008, the Working Group has had a membership of between 18 and 23 SAIs with a balance of representatives from donor and potential aid recipient countries and from a wide variety of geographical locations.¹ In 2013, the following SAIs were members: Austria, Chile, China, the European Court of Auditors, France, Georgia, India, Indonesia, Jamaica, Japan, Kenya, Korea (Republic of), the Netherlands, Norway, Pakistan, Peru, the Philippines, Romania, Russian Federation, Sri Lanka, Turkey, the Ukraine and the United States of America. The European Court of Auditors chaired the Working Group and provided its secretariat.

1.11 Working Group meetings were held in:

- Luxembourg, July 2008, hosted by the European Court of Auditors;
- Seoul, June 2009, hosted by the Korean Board of Audit and Inspection;
- Lima, July 2010, hosted by the Office of the Comptroller General of Peru;
- Johannesburg, November 2010, within the framework of the XX INCOSAI;

¹ Members include 6 of the top 10 donors and 2 of the top 10 recipients, according to the 2012 Global Humanitarian Assistance Report. See <http://www.globalhumanitarianassistance.org/report/gha-report-2012>

- Antalya, October 2011, hosted by the Turkish Court of Accounts;
- Yogyakarta, June 2012, hosted by the Audit Board of Indonesia;
- Valparaiso, May 2013, hosted by the Office of the Comptroller General of Chile.

1.12 The Working Group has scheduled its eighth and final meeting in Beijing in October 2013, as a side meeting during the XXI INCOSAI.

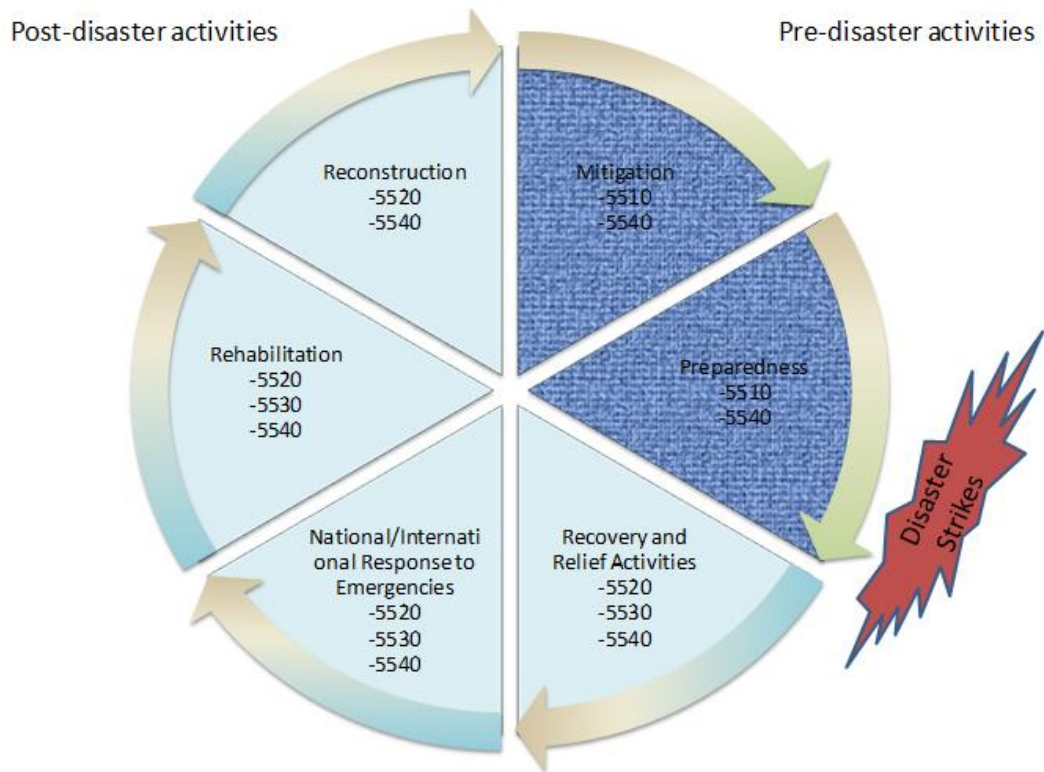
2 Audit guidance: the 5500 series of ISSAIs on auditing disaster-related aid

2.1 The 5500 series of ISSAIs reflects current good practice, makes reference to ISSAIs and other auditing standards, includes examples and proposes practical solutions for auditing disaster-related aid. The individual ISSAIs are closely related and cross referenced to the guidance on general audit methodology and procedures in the third and fourth level ISSAIs, especially those on financial audit, performance audit and compliance audit. As is the case for other INTOSAI auditing standards, this guidance is not mandatory. The ISSAIs build upon INTOSAI's Fundamental Auditing Principles and standards promulgated by other standard setting organisations with which INTOSAI has a cooperation agreement, such as the International Federation of Accountants.

2.2 ISSAI 5500 provides an overview of the series of ISSAIs on disaster-related aid and INTOSAI GOV 9250. ISSAIs 5510 and 5520 cover the audit of the pre- and post-disaster phases respectively. ISSAI 5530 considers the specific risks of fraud and corruption which arise due to the emergency nature of much of disaster-related aid. ISSAI 5540 presents geospatial information as a tool for auditing the pre- and post-disaster phases.

2.3 Figure 1 shows the link between the 5500 series of ISSAIs and the different activities of disaster-related aid across the disaster management cycle.

Figure 1: The ISSAIs and the activities financed by disaster-related aid



Source: Prepared for WG AADA by the SAI of Indonesia

2.4 Depending on the legal and regulatory framework and the mandate of the SAI, the ISSAIs on disaster-related aid can be used for audits at all levels of government: central, regional and local. Auditors of private entities such as NGOs receiving and managing public funds may also find the ISSAIs relevant to their work.

Content of ISSAIs 5510 to 5540

2.5 ISSAI 5510

ISSAI 5510 on auditing disaster risk reduction recognises the increasing emphasis by governments and international organisations on the risk of disasters and on reducing their potential impact through adequate preparation. It focuses on the pre-disaster phase and covers the audit of activities designed to prevent, mitigate and prepare for potential disaster.

ISSAI 5510 is structured as follows:

Part 1 defines disasters, disaster management and disaster risk reduction and explores the political and operational context of auditing disaster risk reduction.

Part 2 explores the issues SAIs are faced with when planning or conducting an audit of disaster risk reduction. It draws examples from the experiences of SAIs in auditing disaster risk reduction, gathered by means of surveys and a parallel audit conducted amongst SAIs.

Part 3 proposes an audit programme to assist SAIs in auditing disaster risk reduction.

The SAI of Turkey led the preparation of ISSAI 5510. It consulted with SAIs and other organisations across the world, carried out surveys and coordinated an audit of disaster risk reduction (see section 3).²

2.6 ISSAI 5520

ISSAI 5520 on auditing disaster-related aid takes account of the notable features of post-disaster activity, which include large amounts of resources flowing into disaster-affected areas, where there is pressure to deliver aid rapidly to individuals in great need. Aid may be disbursed by a number of different actors with varying levels of experience. There is often lack of coordination and inattention to the accountability and reporting of disaster-related aid, which renders the establishment of an audit trail difficult. This ISSAI focuses on immediate emergency activities of response and relief and on rehabilitation and reconstruction activities carried out in the aftermath of disasters.

ISSAI 5520 is structured as follows:

Part 1 defines disaster and the different phases of disaster management.

Part 2 defines disaster-related aid and key players and features of disaster-related aid and develops a matrix of the key topics and risks in the management of disaster-related aid.

Part 3 highlights aspects of the audit process illustrated by the experiences of SAIs which have audited disaster-related aid: cooperation between auditors, information and data gathering, selection of audit topics, financial, performance and compliance auditing of disaster-related aid, reporting disaster-related aid and tools for auditing disaster-related aid.

The SAI of Indonesia led the preparation of ISSAI 5520. It consulted with SAIs and other organisations across the world, carried out surveys and coordinated an audit of disaster-related aid (see section 3).³

2.7 ISSAI 5530

ISSAI 5530 was prepared to assist auditors in adapting audit procedures to take account of the increased risk of fraud and corruption in the emergency phase following a disaster. ISSAI 5530 expands on ISSAI 1240 in broadening the scope to consider the risk of corruption as well as of fraud. It focuses on the phase following disasters, when procedures and controls might not function

² The SAIs of Azerbaijan, Chile, India, Indonesia, the Netherlands, Pakistan, the Philippines, Romania, Ukraine and Turkey contributed to or participated in the coordinated audit.

³ The SAIs of India, Indonesia Pakistan and Turkey participated in the coordinated audit.

as they may normally be expected to do. To assist auditors, the ISSAI outlines risks and “red flags” of which auditors should be aware and provides advice on how to adapt audit procedures accordingly.

ISSAI 5530 is structured as follows:

Part 1 defines terms and the role of SAIs.

Part 2 refers auditors to the guidance available and the challenges raised by the risk of fraud and corruption in disaster-related aid.

Part 3 brings together and illustrates the relevant risks and indicators of fraud and corruption in the emergency phase following a disaster.

Part 4 proposes ways in which auditors may consider adapting procedures to take account of the increased risks.

The SAI of the European Union led the preparation of ISSAI 5530. It includes examples provided by SAIs and other organisations across the world.

2.8 ISSAI 5540

ISSAI 5540 presents the use of geospatial information and Geographical Information Systems (GIS) as tools for managers and auditors of disaster-related aid across the disaster management cycle. In addition to providing best practice and guidance on how to use geospatial information for auditing disaster-related aid, this ISSAI provides a comprehensive introduction to geospatial information and may therefore also be useful for SAIs conducting audits in areas not related to disasters or disaster-related aid. The appendices to the ISSAI provide background information and practical examples.

ISSAI 5540 is structured as follows:

Part 1 introduces GIS.

Part 2 presents the specific characteristics of GIS (types, sources and quality issues) and describes how GIS can help in analysing geospatial information and how this is done in the public sector.

Part 3 describes the use of geospatial information in the various activities of disaster management.

Parts 4 and 5 describe the use of geospatial information for auditing disaster risk reduction and for auditing response and recovery activities.

The SAI of the Netherlands led the preparation of ISSAI 5540. It was assisted in this by experts in the field.

2.9 The 5500 series of ISSAIs on disaster-related aid are published by INTOSAI on the website of the Professional Standards Committee.⁴

⁴ <http://www.issai.org/4-auditing-guidelines/guidelines-on-specific-subjects/>

3 Parallel audits and surveys conducted by WG AADA

Parallel audit on disaster risk reduction

3.1 The Working Group carried out a parallel audit of disaster risk reduction. The SAI of Turkey, the Turkish Court of Accounts led the audit and used it to test and improve draft ISSAI 5510. Surveys were carried out of the participating SAIs to coordinate issues concerning the design and implementation of the parallel audit. This allowed common questions to be addressed, information to be shared, the results of the audits to be presented and timely feedback on draft ISSAI 5510. Some SAIs used their own audit questions and criteria, while others used common questions and criteria. Some audits were compliance audits and others were performance audits.

3.2 As a result of the parallel audit:

- ISSAI 5510 was tested and improved;
- some examples were included in the endorsement version prepared for the XXI INCOSAI and others will be used when ISSAI 5510 is reviewed;
- several individual audit reports on disaster risk reduction and a joint report were (or will be) published on the website of the Working Group on Environmental Audit⁵. These reports can be used by SAIs to plan their own audits in this area;
- training material was collected based on the experiences of the parallel audit;
- SAIs demonstrated that both compliance and performance audits of disaster risk reduction can be usefully conducted.

Once the joint audit report has been published, the lessons learned during the parallel audit and appropriate recommendations will be used to provide feedback for ISSAI 5000 on Principles for Best Audit Arrangements for International Institutions⁶ and the Capacity Building Committee's Guide for Cooperative Audit Programmes between SAIs⁷. More details concerning this parallel audit can be found in annex 2.

Parallel audit and survey on disaster-related aid

3.3 In preparing ISSAI 5520 on auditing disaster-related aid the SAI of Indonesia, the Audit Board of Indonesia (BPK), conducted two surveys. The first survey gathered data on SAIs' mandates and experience of auditing disaster-related aid. 35 SAIs participated. Most respondents had an appropriate mandate but several SAIs replied that they faced serious constraints in meeting the requirements of their mandate. The BPK used the results of the survey to draw up a list of audits of disaster-related aid (see appendix 5 of ISSAI 5520). The BPK carried out a second survey in early 2012 to test ISSAI 5520 and to obtain feedback on the audit design matrix.

⁵ <http://www.environmental-auditing.org/Home/EnvironmentalAuditsWorldwide/AuditsOfDisasterRelatedAid/tabid/273/Default.aspx>

⁶ <http://www.issai.org/4-auditing-guidelines/guidelines-on-specific-subjects/>

⁷ <https://apps.contraloria.gob.pe/cbcsubcommittee2/files/Gu%C3%ADa%20de%20auditorias%20coordinadas/Guide%20for%20Cooperative%20Audit%20Programs%20between%20SAIs.pdf>

3.4 In 2012 the BPK initiated a parallel audit to test draft ISSAI 5520 and the audit design matrix. Other objectives included sharing experiences in auditing the rehabilitation and reconstruction phase following disasters and drawing up a report on lessons learned. Four SAIs are participating in the parallel audit in 2013, while one SAI is an observer. The results of the parallel audit will be used to present a joint audit report and the lessons learned will feed into the review of ISSAI 5520 for presentation to XXIII INCOSAI. For more information see annex 3.

Other audits

3.12 Summaries of disaster-related aid audit reports provided by the SAIs of Peru, China, Japan, the European Court of Auditors, India, the USA, Indonesia, Turkey, Australia, Canada, the Netherlands, the Czech Republic, the Philippines and Ukraine are included as appendices to ISSAIs 5510 and 5520.

4 Transparency and accountability: INTOSAI GOV 9250 on the IFAF

4.1 Stakeholders in humanitarian aid, both providers and recipients, have paid increasing attention to questions of transparency and accountability in recent years. SAIs have a role to play in identifying weaknesses in the existing arrangements. They can propose improvements to the way in which disaster-related aid is reported. In the aftermath of the 2004 tsunami in South East Asia, SAIs reported the need for better financial reporting and more reliable and complete information concerning disaster-related aid. At the same time, the reporting requirements on organisations should not be unnecessarily burdensome.

4.2 To meet these needs, WGAADA prepared INTOSAI GOV 9250, which presents the Integrated Financial Accountability Framework (IFAF). The IFAF is a framework for preparing and making publically available standardised ex post, audited financial reports on humanitarian aid flows. These financial reports take the form of IFAF tables prepared by all entities involved in the donation, receipt or implementation of humanitarian aid.

IFAF tables in a nutshell

1. Each entity required to report on transfers of humanitarian aid prepares an IFAF table.
2. IFAF tables are made publicly available as open data.
3. The aid can be financial or in-kind (expressed in its equivalent monetary value).
4. IFAF tables include transfers of aid into and out of the entity preparing the IFAF table (not pledges or accrued expenditure).
5. When preparing IFAF tables, entities respect the same rules as those applied for drawing up their financial statements.
6. The data for preparing IFAF tables is the same as that used for preparing the entities' financial statements.
7. The external auditor of the entity audits the IFAF table and provides a statement to this effect.

4.3 IFAF tables have been tested by a variety of donors and recipients of humanitarian aid. These tests have been successful: organisations have found it straightforward to prepare IFAF

tables using data already existing in their financial systems. IFAF has been welcomed by donors (for example, the Netherlands, Sweden, the World Bank), international organisations, including several UN organisations, and NGOs (Humanitarian Accountability Partnership, Catholic Relief Services). See also paragraph 6.1 and 7.7.

4.4 Optimum use of IFAF tables requires that they should be available as open data.⁸ There are many open data initiatives to improve aid effectiveness through the availability of better information. The SAI of Korea made an inventory of the existing transparency and financial tracking systems and found that they recorded projected data about aid and not past aid flows. The SAI of Korea and the European Court of Auditors then analysed existing aid transparency initiatives and decided to open discussions with the International Aid Transparency Initiative (IATI). There were differences between the data used from the IFAF and IATI data; for example, IATI uses data that is not specifically audited, whereas IFAF data is audited. However, there were also similarities between the two initiatives, such as the goal of developing standards for comparable reporting on a global scope and the fact that the two initiatives target the same users.

4.5 The Working Group decided to pursue cooperation with and integration of IFAF data into IATI.⁹ The International Aid Transparency Initiative (IATI) agreed to include a module for the production of IFAF tables into the IATI Standard. The IATI secretariat has developed solutions for transforming IFAF tables into IATI machine readable data. The IATI registry can then be used to publicise the location of the tables. See appendix 6 of INTOSAI GOV 9250. For more information see annex 4.

4.6 The main role in implementing and developing the IFAF falls to the providers of humanitarian aid which can prepare IFAF tables themselves and require recipients of humanitarian aid to report in this way. More information about IFAF is provided in INTOSAI GOV 9250.¹⁰

5 Other results on the accountability of humanitarian aid

Accountability standards: Non-Governmental Organisations

5.1 The Working Group made a survey of initiatives that set accountability standards in disaster-related aid, particularly for non-governmental aid organisations receiving aid. The Humanitarian Accountability Partnership (HAP) was found to have developed accountability standards and a certification scheme to make regular checks of compliance by aid agencies with the standards.

5.2 On behalf of the Working Group the European Court of Auditors advised HAP in updating its Standard, especially concerning internal control systems and improving financial accountability. HAP welcomed IFAF as a financial reporting model and referred to it in the HAP Guide, which contains

⁸ This means IFAF tables should be publically available by publishing them on the internet.

⁹ IATI is a voluntary, multi-stakeholder initiative through which 150 organisations and governments already publish information about development aid. In the framework of 'Publish once – Use Everywhere' IATI aims that information made available through IATI can be used in other, more specific reporting systems.⁹ The IATI Standard is a technical publishing framework allowing data to be compared.

¹⁰[http://www.issai.org/intosai-guidance-for-good-governance-\(intosai-gov/](http://www.issai.org/intosai-guidance-for-good-governance-(intosai-gov/)

advice on how to implement the HAP Standard.¹¹ The Working Group also took account of comments provided by HAP on draft INTOSAI GOV 9250. For more information see annex 5.

Accountability standards: public sector aid providers

5.3 Public sector aid providers, and notably governments, provided USD 12.9 billion of humanitarian aid in 2012. OECD/DAC produced guidelines on 'Harmonising Donor Practices for Effective Aid Delivery' to guide donors reporting aid. The SAI of Norway and the European Court of Auditors assessed whether these guidelines provided an adequate basis for harmonised financial reporting. They found that they were not specific enough regarding accountability requirements, one of the fundamental principles of Good Humanitarian Donorship (GHD)¹². Once the Working Group had developed the IFAF it thus addressed GHD to promote its implementation.

5.4 The Working Group also explored ways in which auditors could use IFAF tables to allow cooperation with other auditors and decrease the overall audit costs. The SAI of Norway developed checklists for this purpose, which can be consulted at the KSC website¹³. The Working Group identified initial costs and longer-term benefits from cooperation and collaboration between auditors. For more information see annex 6.

Guidance on auditing IFAF tables

5.7 In addition to the guidance in INTOSAI GOV 9250, the SAI of Chile prepared a guide for producing an IFAF table in cooperation with the NGO Un Techo Para Chile. This NGO then created an IFAF table (see appendix 6 of INTOSAI GOV 9250). The guide offers steps for presenting the receipts and payment parts of the table. It also provides advice on what kind of review the entity producing the IFAF table needs to undertake.

5.8 In cooperation with private audit firms, the SAI of Chile developed a guide for auditing an IFAF table. The guide was tested during a pilot audit of the IFAF table produced by Un Techo Para Chile. The audit guide distinguishes three aspects (control environment, information analysis, and accountability) with several sub questions for each element. The guidance is particularly aimed at NGOs which do not have a strong internal audit framework. It can be found at the website of the INTOSAI Knowledge Sharing Committee. For more information see annex 7.

Implementation of IFAF in the UN

5.9 In 2012 56% of humanitarian aid was channelled from donors to recipients through the UN, making UN organisations a natural partner for the INTOSAI Working Group in developing the IFAF. The European Court of Auditors approached the Representatives of Internal Audit Services of United Nations organisations and multilateral financial institutions and other associated intergovernmental organisations (RIAS). RIAS coordinates internal audit work and promotes the harmonisation of working methods.

5.10 RIAS established a working group on the IFAF in 2011, which reported to the 2012 RIAS meeting. The RIAS working group linked IFAF tables from different entities. Some of the test results

¹¹ <http://www.hapinternational.org/>

¹² The GHD initiative is an informal donor forum and network which facilitates collective advancement of GHD principles and good practices. <http://www.goodhumanitariandonorship.org/gns/home.aspx>

¹³ <http://intosaiksc.org/archives.php?syn=1&e=0#0>

are presented in appendix 6 of GOV 9250. RIAS accepted the recommendation of its working group to promote the introduction of IFAF and support its implementation as an international standard in reporting on humanitarian aid. The RIAS IFAF working group provided comments by RIAS members for incorporation into INTOSAI GOV 9250. For more information see annex 8.

Financial accountability information requirements of large donors

5.11 The Working Group analysed the financial reporting requirements imposed by large private donors and large NGOs on entities that receive humanitarian assistance. The SAI of the USA, the Government Accountability Office (GAO) reviewed 20 US based NGOs for this purpose and selected four of these NGOs for further detailed study. A questionnaire was developed and interviews were held with an accounting firm that performs external audits for charitable organisations.

5.12 The organisations that were interviewed welcomed streamlining current financial reporting practices, raised questions about the possibility of addressing certain items in a standardised reporting format, and underlined that donors would need incentives to adopt a standardised reporting format. Account was taken of the results of the survey and its analysis in developing INTOSAI GOV 9250. For more information see annex 9.

6 Reception of the new series of ISSAI and the INTOSAI GOV

6.1 The new 5500 series of ISSAIs and INTOSAI GOV 9250 were widely commented upon during the exposure draft period, both from within the INTOSAI community and from other organisations.

Comments on the ISSAIs

- ▶ ‘...these drafts are extremely thorough and will be of great use to supreme audit institutions once they are formally approved’ (United Nations Office for the Coordination of Humanitarian Affairs (OCHA));
- ▶ ‘Drafts provide clarity on the auditors’ responsibility to highlight gaps in government disaster policy and action, and this is particularly welcome. Improving government performance in this area could be instrumental in saving lives and reducing economic losses from disaster.’ (OECD Development Assistance Committee);
- ▶ ‘The documents are well written, structured to provide good understanding with many examples from real life, and lists of red flags for reference by SAI auditors. There is evidence that they were the result of multiple source input, good research and consultation.’ (Transparency International);

- ▶ 'All 5 guidelines are clear and comprehensive. When implemented these guidelines will help to promote more effective, accountable and transparent aid delivery to affected communities' (Humanitarian Accountability Partnership (HAP)).

Comments on the GOV:

- ▶ '...will be a powerful mechanism to strengthen transparency and accountability.' (World Bank);
- ▶ 'IFAF is an important tool for enhancing accountability. DG ECHO looks forward to following them and promoting them within its partners' community' (European Commission);
- ▶ '...recognises the value of IFAF. It provides audited ex-post final open data for a pre-defined financial period using simple, standardised tables.' (UN Office of Internal Oversight Services).
- ▶ '...appreciates the time and effort spent to achieve this high quality product...' (UNDP);
- ▶ '...invaluable work: IFAF implementation will bring benefits to both donors and recipients of humanitarian aid...' (UN Strategy for International Risk);
- ▶ '...applauds the intent to achieve consistency, eliminate duplication and reduce costs.' (Catholic Relief Services).

7 Lessons learned

Positive experience

7.1 Most of the 23 members of the Working Group contributed to the ISSAIs and the GOV and related tasks in the Work Programme of WG AADA. At its annual meetings¹⁴, members discussed work planned and progress towards achieving objectives. Working Group members also used video conferences, conference calls and e-mail exchanges to prepare the output and meetings of the Working Group.

7.2 The Working Group regularly contacted the Working Group Environmental Auditing, the Working Group on the Fight Against Corruption and Money Laundering, the Knowledge Sharing Committee, the Capacity Building Committee¹⁵, the INTOSAI Development Initiative (IDI) and regional INTOSAI groups. It also shared information on progress with the EUROSAI Working Group on the Audit of Funds related to disasters and catastrophes¹⁶. The Professional Standards Committee (PSC) provided constant support to the Working Group. On the advice of the PSC, the

¹⁴ See annex 10 for an overview of the participation in the last three meetings of the Working Group.

¹⁵ Contacts were also held with subcommittee 1 of the INTOSAI Capacity Building Committee, which produced guidance on Business Continuity for SAIs, which the Working Group circulated amongst its members.

¹⁶ <http://www.ac-rada.gov.ua/control/eurosai/en/>

PSC Subcommittee on Accounting and Reporting was consulted before finalising INTOSAI GOV 9250. The INTOSAI Secretary-General and his staff provided invaluable advice on proceedings and practical issues.

Costs

7.3 Budgetary constraints obliged several SAIs – from different parts of the world – to cancel participation in Working Group meetings or otherwise limit their involvement. The costs of taking part in meetings of INTOSAI working groups can be a serious concern to SAIs in developing countries and may impede their full participation. Participation over the last three years has put a considerable burden on participating SAIs, and in particular on SAIs that took on special responsibilities.

7.4 In addition to the tasks of chairing a Working Group, the SAI which takes up the chair often has to provide the secretariat of the Working Group and coordinate, monitor and stimulate progress. This implies substantial human resources costs. Travel costs for the chair may also be high, given the need to represent the Working Group in different INTOSAI forums. As a consequence, chairing INTOSAI working groups is generally limited to well-endowed SAIs. INTOSAI should consider solutions to this.

7.5 WGAADA used only one working language. However, for endorsement by INCOSAI, the ISSAIs were translated into the four other INTOSAI languages. Whereas ARABOSAI kindly took charge of translating the ISSAIs and GOV into Arabic, the resource implications of presenting the documents in English, French, Spanish and German had to be met by the chair.

7.6 All members of INTOSAI should be in a position to contribute to and participate in the various bodies of INTOSAI, and to assume positions of leadership. Resource constraints tend to disproportionately affect financially weaker SAIs, particularly SAIs from developing countries. Care should be taken to ensure that participation in and leadership of INTOSAI is genuinely representative of the membership as a whole.

Raising awareness

7.7 The Working Group reached out to partners by:

- *inviting external experts to each of its meetings*. These were from UN organisations, governments of recipients and donor countries, the private sector and non-governmental organisations. The purpose was to obtain their views on the documents and solutions being developed by the Working Group and to raise awareness of INTOSAI's work. External speakers included the Special Representative of the UN Secretary-General for Disaster Risk Reduction, the UN Assistant Secretary General of the UN Office of Oversight Services, the Chief of the Central Emergency Response fund of the UN Office for Coordination of Humanitarian Assistance, the Director General of Humanitarian Aid and Civil Protection of the European Commission, the Inter-American Bank for Development, government officials from a number of countries, Ernst & Young, Transparency International, and NGOs involved in aid implementation such as Desafio Levantemos Chile and Un Techo Para Chile;

- *soliciting comments on the draft ISSAIs and the draft INTOSAI GOV* from international partners. The Chairman of the Working Group addressed a wide variety of organisations, both audit and non-

audit, to encourage them to review and comment on the draft ISSAIs and the draft GOV. The Working Group took due account of the many comments received¹⁷;

- *contacting, before and during the drafting of the ISSAIs those authorities and organisations implementing disaster risk reduction and disaster aid programmes* to ensure that the guidelines are abreast of current practice. In this context, the coordinated and parallel audits carried out by SAI members of the Working Group under the leadership of the SAIs of Turkey and Indonesia were used to test and enrich the draft ISSAIs. In the course of this work, the Working Group sought not only to obtain feedback, but also to encourage others to incorporate relevant parts of the draft ISSAIs into their own internal guidelines;

- *approaching organisations providing and implementing humanitarian aid* to ascertain their views on current accountability arrangements for humanitarian aid and to obtain feedback on the IFAF initiative launched by the Working Group. For this purpose the Working Group contacted organisations ranging from UN organisations, the Organisation for Economic Cooperation and Development, the European Commission, governments and NGOs¹⁸;

- *presentations by the Chairman to international conferences as well as to other bodies of INTOSAI.*

Examples include:

- The Third International Forum on the United Nations Convention against Corruption in Santiago de Chile in November 2011;
- The 15th International Anti-Corruption Conference in Brasilia in November 2012;
- the Tenth AFROSAI-E Governing Board meeting in Mauritius in May 2013;
- the Fourth Session of the Global Platform for Disaster Risk Reduction in Geneva in May 2013, together with the lead author of ISSAI 5530 (SAI of Turkey);
- the 15th Meeting of the INTOSAI Working Group on Environmental Auditing in Tallinn in June 2013.

7.11 On-going commitments by the Working Group at the date of production of the final report:

- United Nations International Conference on Space-based Technologies for Disaster Management, Disaster risk identification and response, from 23-25 October 2013 in Beijing. Representatives of the Working Group will introduce the activities and output of the Working Group, especially ISSAI 5540 which is about the use of Geospatial Information Systems;
- ASOSAI Seminar on the Audit of Disaster Management Practices, in Seoul, Republic of Korea, 11-15 November 2013, hosted by the Board of Audit and Inspection of Korea. Indonesia's BPK, as vice-chair of the Working Group and lead SAI for ISSAI 5520 on the audit of Disaster-related Aid, will contribute to this seminar;

¹⁷ See website of the KSC for full comments: <http://intosaiksc.org/archives.php?syn=1&e=0#0>

¹⁸ Examples include UN OCHA, UN OIOS, UNDP, UNISDR, UN Habitat, WHO, UNOPS, World Bank, IABD governments of Denmark, Netherlands, Norway, Sweden, Transparency International, CONCERN, CORDAID, Un Techo Para Chile, IATI, Publish What You Fund, MANGO, HAP, Ernst & Young, and Deloitte.

- UN/IATI Workshop on transparency in development aid, 7-8 November 2013, Geneva, Switzerland. The European Court of Auditors, in its capacity as Working Group chair, will contribute to this workshop and present INTOSAI GOV 9250 and how IFAF can be applied within the UN framework.

Dissolving Working Group AADA

The Working Group presents the final outcome of its work to the XXI INCOSAI. Congress is asked to endorse the draft ISSAIs and draft INTOSAI GOV. Since it has achieved its objectives, the Working Group proposes that it should be dissolved by the XXI INCOSAI. However, some follow-up work remains to be done.

8 Follow-up

The new 5500 series of ISSAIs and training

8.1 An important use for the new 5500 series of ISSAIs is for training. ASOSAI is already organizing a seminar on the Audit of Disaster Management Practices in November 2013, in which WGAADA members will participate. INTOSAI should encourage heads of SAIs to take news of the availability of the new ISSAIs back to its training departments and where appropriate, present training proposals to the INTOSAI Development Initiative (IDI) for funding. This is especially relevant in the context of the global survey IDI intends to carry out after INCOSAI of all INTOSAI members which will include a question on SAIs' training needs in topics related to the 5500 series.

8.2 Other organisations that can provide training assistance are the UN Office for Disaster Risk Reduction (UNISDR) and UN OCHA and UNDP. These organisations have a specialised training centre 'Capacity for Disaster Reduction Initiative' (CADRI), established to support training related to disaster risk reduction. CADRI also provides training to government officials and it informed WGAADA that it can provide training for SAI auditors. The cost would be low since salary costs for the CADRI trainers would not be charged. The Working Group has informed IDI about this training possibility and IDI has undertaken to follow it up.

Implementation of the IFAF

8.3 The implementation of IFAF is first and foremost the responsibility of entities providing and implementing humanitarian aid. However, when auditing humanitarian aid SAIs can recommend the use of IFAF tables to improve the quality of financial reporting. They may also find themselves auditing IFAF tables, for example those prepared by government departments donating humanitarian aid, or disaster management agencies receiving aid. INTOSAI GOV 9250 provides guidance on this (see appendix 4). Should SAIs express a need, it may become necessary to prepare additional guidance on auditing IFAF tables in the coming years.

Follow-up

8.4 WG AADA consulted widely with international organisations in the course of its existence and raised the profile of INTOSAI as an actor on the international stage in three areas: disaster risk reduction, the fight against fraud and corruption and aid transparency. The important role auditors can have on these issues is increasingly recognised by UN organisations, donor countries, transparency initiatives and NGOs. INTOSAI can capitalize on this by continuing to contribute to the debate regarding disaster risk reduction and humanitarian aid. It can also encourage the use of IFAF to improve the transparency of aid flows.

8.5 The Chairman of WG AADA and the lead author of ISSAI 5510 participated in the Fourth Session of the Global Platform in 2013. This resulted in the inclusion of a reference to the importance of SAIs as actors in disaster risk reduction in the summary of the conference¹⁹. This summary prepares the way for developing the post-2015 Hyogo Framework for Action 2 (HFA2). To stimulate the use of the work of SAIs in this area by decision-makers, INTOSAI should consider formulating and communicating ideas for HFA2 to the World Conference to be held in Japan in March 2015.

8.6 Transparency International contributed to the Sixth meeting of WGAADA in 2012 and the Chairman of the Working Group participated in Transparency International's International Anti-Corruption Conference in 2012. Transparency International commented on draft ISSAI 5530 on fraud and corruption and draft INTOSAI GOV 9250. The Chairman also gave the keynote speech at the 2011 Third International Forum on the UN Convention Against Corruption. This has helped to raise awareness of the role of public sector external auditors in the movement towards aid transparency and the fight against fraud and corruption in humanitarian aid.

8.7 Addressing fraud and corruption is one of INTOSAI's strategic priorities (2011-2016). There is scope for INTOSAI to further extend its reputation in this area. It would be useful to build upon the work of the INTOSAI Working Group on Fight Against Corruption and Money Laundering, the guidelines developed by the INTOSAI Working Group Environmental Auditing and ISSAI 5530 and communicate INTOSAI's role and activities in this area to international forums and actors.

8.8 By creating the IFAF, INTOSAI has joined the international movement towards greater accountability for and transparency of humanitarian aid. INTOSAI can work with the UN to build on the momentum generated by the Millennium Development Goals towards the post-2015 development agenda. IFAF can be presented as an open data transparency initiative during the first World Humanitarian Summit, scheduled for 2016. This summit provides an opportunity for INTOSAI to present the added value of SAIs in assessing the effectiveness of humanitarian aid by means of performance audits.

8.9 Following endorsement of GOV 9250 by the XXI INCOSAI the Working Group proposes that the chair of the INTOSAI Governing Board, the SAI of China, sends a letter to the UN Secretary-General to highlight the value of the IFAF as an instrument for accountability. This letter should propose that UN organisations involved in humanitarian aid take the implementation and the further development of the IFAF forward by preparing tables themselves and by requiring recipients of humanitarian aid to prepare them too, as a condition of receipt of aid.

¹⁹ http://www.preventionweb.net/files/33306_finalchairssummaryoffourthsessionof.pdf

8.10 The Working Group proposes that the chair of the INTOSAI Governing Board addresses a similar letter to the chairs of the Good Humanitarian Donorship (GHD), the forum in which most donor countries are represented.

8.11 A similar address can be sent to the Special Representative of the Secretary-General of the UN Office for Disaster Risk Reduction (UNISDR) to build upon the relationship established between INTOSAI and UNISDR by WGAADA and to formulate and communicate ideas for the Hyogo Framework for Action 2 (see paragraph 8.5).

Review process for ISSAIs and GOV

8.12 The Working Group proposes that the ISSAIs should be reviewed and presented to the XXIII INCOSAI. The INTOSAI Knowledge Sharing Committee (KSC), Chair of INTOSAI Goal 3 activities, will initiate the review process with the main authors of the ISSAIs. The review will take account of:

- Examples of disaster-related aid audits gathered in the database, which WGAADA has asked the WGEA to collect and host. This is considered to be the appropriate collection point for such audits given the link between disasters, disaster risk reduction and climate-related issues;²⁰
- ISSAI harmonisation requirements being developed by the PSC;
- Possible future rationalization of or additional cross-referencing between guidance produced by different INTOSAI Working Groups, for example guidance on auditing fraud and corruption, see paragraph 6.5.

8.13 The KSC will also initiate the review process of INTOSAI GOV 9250. Whether the GOV needs to be reviewed will depend on its implementation and on the successful integration of the production of IFAF tables through IATI.

8.14 The review of the 5500 ISSAIs and INTOSAI GOV 9250 will take account of the drafting conventions decided upon by the Steering Committee of the INTOSAI PSC following the recommendations to the harmonisation project.

8.15 The website currently held by the secretariat of the Working Group, the European Court of Auditors, will not be maintained. Past and future information on the activities of the Working Group and on developments in auditing disaster-related aid will be stored on a website held by the INTOSAI KSC.²¹

Future roles and responsibilities within INTOSAI

8.16 The Chairman of WGAADA will ask the XXI to dissolve the Working Group. The proposed future roles and responsibilities within INTOSAI regarding the ISSAIs and the GOV are summarized in the following table:

²⁰ <http://www.environmental-auditing.org/Home/EnvironmentalAuditsWorldwide/AuditsOfDisasterRelatedAid/tabid/273/Default.aspx>

²¹ <http://www.intosaiksc.org>

<u>Role</u>	<u>ISSAIs</u>	<u>INTOSAI GOV</u>	<u>Where in INTOSAI</u>
Hosting background information	✓	✓	KSC
Providing contacts (post-box function)	✓	✓	KSC
Training	✓		IDI, KSC, WGEA, WGAADA lead SAIs*
Database of audits	✓		WGEA
Providing lists of experts	✓		KSC, WGEA
Possibly: guidelines for audit of IFAF tables		✓	KSC
Review	✓	✓	KSC, lead SAIs*, PSC

*SAIs which led the preparation of the ISSAIs: the Turkish Court of Accounts, the Audit Board of Indonesia, the Netherlands Court of Audit and the European Court of Auditors

9 Proposal to XXI INCOSAI

The Working Group requests the XXI INCOSAI to endorse the 5500 series of ISSAIs on auditing disaster-related aid and INTOSAI GOV 9250 on the IFAF, to take note of this Final Report of the Working Group and to disband the Working Group.