



Accounting for Haiti Aid Funds 2012

2014



Accounting for Haiti Aid Funds 2012

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I Executive summary

The Dutch Cooperating Aid Organisations (SHO) have again made improvements in significant areas of the annual accounts kept for the donations to the Haiti Action. The 2012 accounts provide more transparency into how the funds have been put to use and to what effect. This is one of the findings of the third in a series of audits we will be carrying out until the end of 2016.¹

Background

A devastating earthquake struck Haiti in January 2010. A national television fund-raising appeal organised by the Dutch Cooperating Aid Organisations (SHO) subsequently raised €112 million to provide aid for and in Haiti. The Dutch Ministry of Foreign Affairs (BZ) awarded a grant of €41.7 million to the appeal.

Shortly after the disaster, the Netherlands Court of Audit decided, following consultation with the SHO and the Ministry of BZ, that it would audit the use of the grant awarded by the government and the accounts kept for it so that the Dutch public would know how the funds were being spent and to what effect. We have audited the transparency not only of the funding flows but also of the outcomes: what have the aid organisations achieved in comparison with what they had planned to achieve.

Conclusions

A large proportion of the Haiti aid had been spent by the end of 2012 (86%) and five organisations had completed the activities funded by the Haiti Action by the end of the year. Most of the funds - as in previous years - had been used to provide shelter, water and sanitary facilities.

Below, we consider the improvements the SHO has made in the annual accounts for the Haiti Action. Firstly, the SHO provides more insight in its 2012 accounts into the flow of funds between the participating aid organisations and the international umbrella organisations, fellow aid organisations and offices in the field. It can now be seen, for example, how much money is disbursed by the international umbrella organisations and fellow aid organisations to the field offices and partners in Haiti. Secondly, the report provides a better insight into the planned and actual outcomes and discrepancies are explained in notes. The SHO explains the causes of most of the discrepancies between the planned and actual project outcomes, although some of the explanations are very brief.

Furthermore, the SHO intends to introduce a financial template for the annual accounts of guest members in future actions. The SHO has not undertaken to implement the recommendation we made in 2011 regarding the audit of the actual use of the financial template. This year, the SHO also reported on the programme management costs of each organisation. Unfortunately, differences in definitions prevented us from comparing the organisations and the costs they incurred.

¹ See www.rekenkamer.nl.

Key figures

Earthquake

12 12 January 2010

+ 220,000 deaths

+ more than 300,000 injured

🏠 1.5 million homeless

🏗️ the infrastructure of the capital, Port-au-Prince, was largely destroyed

Financial

Donations to the Haiti Action (2010-2014)

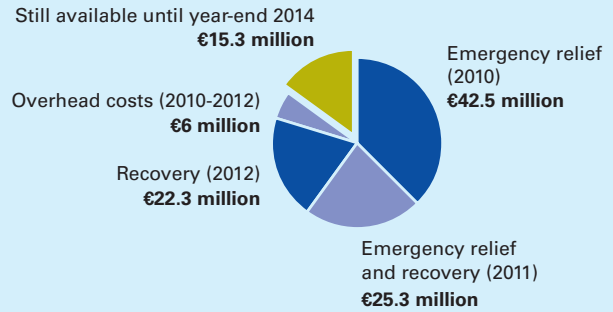
Total: €112.8 million



Of this amount, **€111.4 million** is available for Haiti.

Expenditure (to year-end 2012)

Total: €96.1 million (86%)



Participants in the Haiti Action

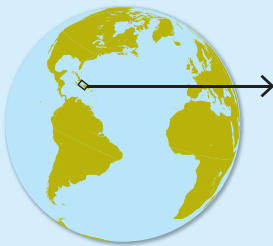
Nine* permanent members:

- Cordaid ✕
- Netherlands Red Cross
- ICCO & Kerk in Actie
- Oxfam Novib ✕
- Save the Children
- Tear ✕
- Terre des Hommes ✕
- UNICEF Netherlands
- World Vision

Six guest members:

- Netherlands Salvation Army
- Dorcas ✕
- VNG International
- CARE Netherlands
- Habitat for Humanity
- Plan Netherlands

✕ = These five members had completed their activities in the Haiti Action by the end of 2012.



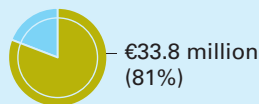
* Stichting Vluchteling, also a permanent member of the SHO, did not take part in the Haiti Action. Tear is no longer a permanent member.

Grant from the Ministry of Foreign Affairs

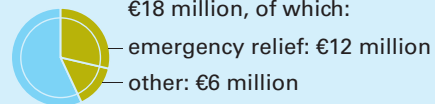
Grant:



Advance payments made to the end of 2012:



Settled at year-end 2012:



The Ministry of BZ has approved the auditor's reports on the accounts for 2011. It has not yet completed its review of the auditor's reports on the 2012 accounts; we will consider them in our report for 2013. The Ministry of BZ will also carry out a final audit if necessary to provide sufficient assurance on the date of the final adoption of the grant.

Recommendations

We welcome the increased transparency of the progress reports on the use of Haiti aid funds and the oversight exercised by the Ministry of BZ. With a view to the SHO's final report and financial statements in 2015 and future aid actions, we would make the following recommendations to the SHO and the Ministry of BZ.

- Discrepancies between planned and actual outcomes

To the SHO: Provide adequate explanations of significant discrepancies between the planned and actual outcomes of the Haiti Action.

- Early evaluation

Five organisations had completed their activities in Haiti at the end of 2012. However, the Haiti Action will continue until the end of 2014 and will not be evaluated until 2015. We recommend that the SHO have organisations that complete their activities before the end of a long-term aid operation carry out a final evaluation in the year following the completion of their activities. The SHO could then evaluate significant discrepancies between planned and actual outcomes.

We recommend that the Ministry of BZ adapt the wording of the grant decision so that it in future provides for the early closure and evaluation of activities completed before the end of a long-term aid operation.

- Uniform definition of programme management costs

We recommend that the SHO encourage organisations that are not subject to the working methods of an international umbrella organisation to use comparable definitions of programme management costs in future aid operations. We recommend that the Ministry of BZ work with international actors to agree the adoption of a uniform definition of programme management costs.

- Financial template

We recommend that the SHO have guest members not only use the financial template but also have the information disclosed in it audited as to its accuracy by their house auditors. We recommend that the Ministry of BZ impress upon the SHO the desirability of auditing the information disclosed in the templates.

Several permanent and guest members of the SHO provided examples of innovative monitoring and accounting methods. We intend to discuss these and other examples with the SHO and its members.

Audit structure

This report presents the findings of our audit of the accounts of how aid funds were spent in 2012. The audit questions and the audit standards and methodology are presented in appendix I. We will continue to inform the House of Representatives of the SHO's accounts of its Haiti recovery activities by means of periodic reports. We will publish our final report in 2016 after the SHO has closed its formal accounts at the end of 2015.

Organisation of this report

Chapter 2 analyses the use of the SHO's funds. The analysis is based on the SHO's accounts for 2012 (SHO, 2013). Chapter 3 presents an evaluation of the SHO's report for 2012 and the extent to which the SHO has followed up our earlier recommendations. Chapter 4 considers the oversight exercised by the Ministry of BZ. The report closes with the responses of the Minister for Foreign Trade and Development Cooperation and of the SHO and our afterword in chapter 5.

2 The use of SHO funds in Haiti

A large proportion of the Haiti aid funds had been spent by the end of 2012 (86%) and five organisations had completed the activities funded from the Haiti Action by the end of the year. As in previous years, most of the funds had been used to provide shelter, water and sanitary facilities.

Organisation of this chapter

We begin with an overview of the flow of funds in section 2.1: how much had been raised and how had it been disbursed within the SHO? Section 2.2 looks at what the money was spent on in 2012 and how the guest and permanent members had spent the funds.

2.1 SHO funds for Haiti

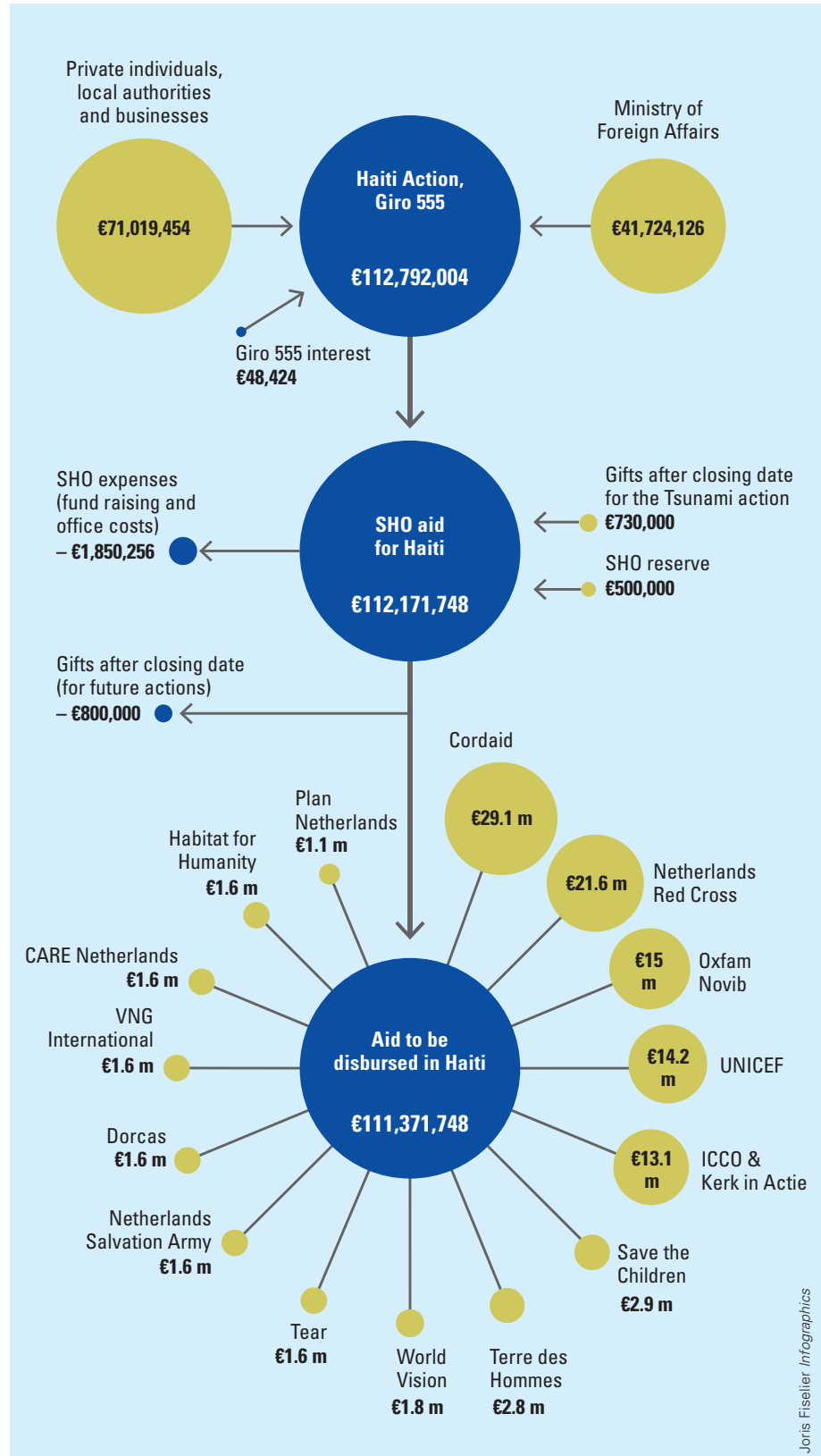
The SHO's public appeal to help the victims of the Haiti earthquake raised €112.8 million, with €41.7 million being granted by the Ministry of Foreign Affairs (BZ). The SHO supplemented this basic amount with the following funds:

- €730,000 remaining from the previous SHO action;
- €500,000 from the SHO's reserve.

A further €800,000 was gifted to the Haiti Action after the closing date. This amount was not added to the donations but earmarked for future SHO campaigns, in this case the Pakistan action in 2010.² The SHO spent more than €1.8 million on fund raising, administration and accounting. After deduction of these costs, €111.4 million remained. This amount was allocated to the 15 participating aid organisations to spend in Haiti. The funding flows are summarised in figure 2.

² This is provided for in the management plan of March 2010. The management plan contains agreements on how the SHO and its permanent and guest members account for, communicate and coordinate the Haiti aid.

Figure 2 Allocation of the SHO Haiti aid funds



Source: based on figures from the fifth SHO report (SHO, 2013)

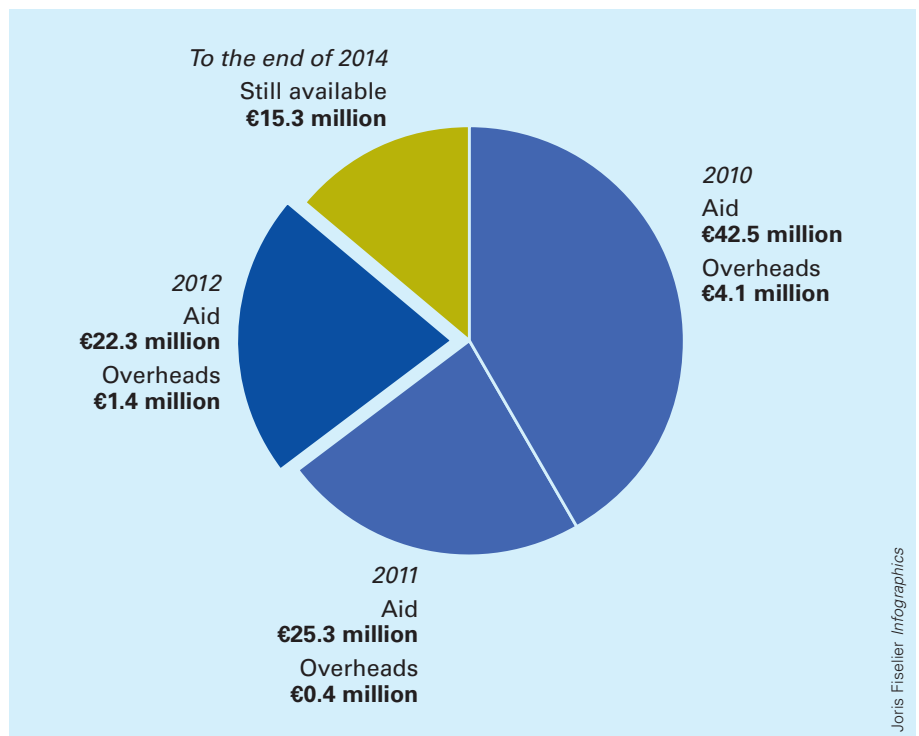
2.2 Expenditure in Haiti

Current situation

At the end of 2012, €96.1 million of the SHO aid for Haiti had been disbursed (86%), of this amount €90.1 million had been spent on the aid clusters and €6.0 million on overhead costs incurred by SHO's members to prepare and coordinate their activities. Overhead costs include expenditure to evaluate, coordinate, audit and account for the aid programmes. In 2012, €22.3 million was spent on the aid clusters, and overhead costs amounted to €1.4 million. All expenditure in 2012 related to recovery.

Figure 3 shows the total expenditure on aid and overheads in 2010-2012 and how much of the €111.4 million is still available until the end of 2014.

Figure 3 Expenditure of €111.4 million to the end of 2012

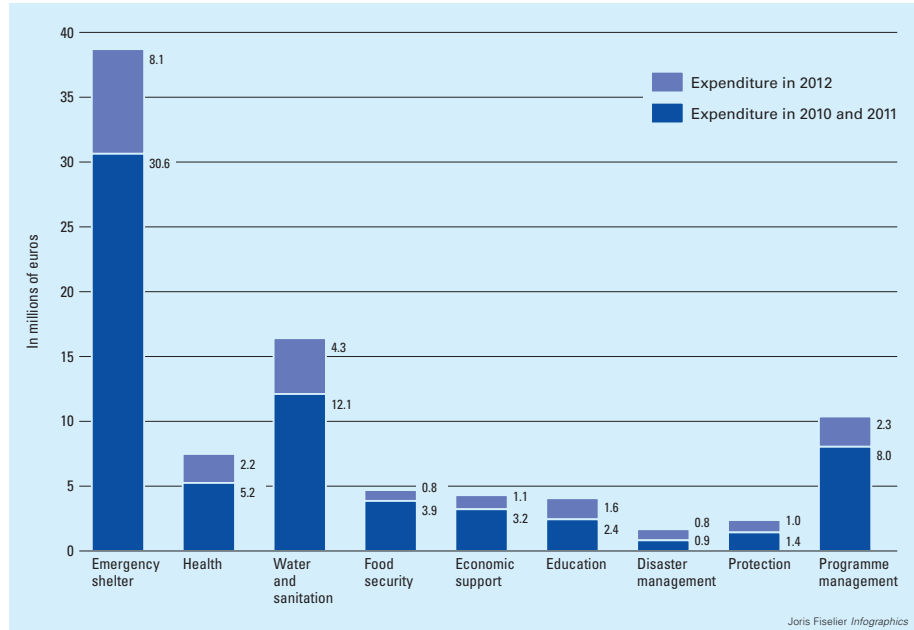


Expenditure per cluster

The Haiti aid is divided into thematic clusters after the example of the UN OCHA clusters.³ Figure 4 shows expenditure in the nine clusters in 2010 and 2011 and in 2012. As in the previous two years, the greater part of expenditure in 2012 was applied to provide shelter, followed by water and sanitary facilities, and programme management costs. Programme management costs are incurred by the SHO members locally. They include personnel costs, office costs, transport, monitoring and evaluation. Unlike overhead costs, programme management costs are incurred in Haiti itself, whereas overhead costs are incurred chiefly outside Haiti.

³ Office for the Coordination of Humanitarian Affairs.

Figure 4 Expenditure per cluster to the end of 2012, excluding overhead costs of € 5.99m

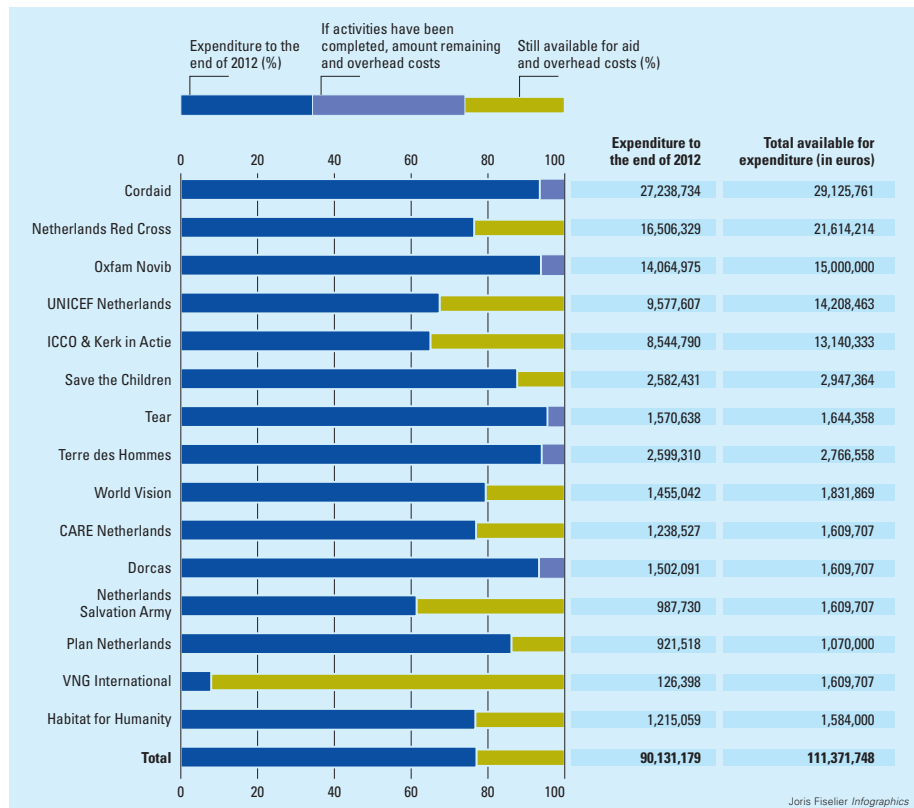


Source: based on figures from the fifth SHO report (SHO, 2013)

Expenditure by SHO members

Figure 5 shows the expenditure incurred by the participating organisations to the end of 2012.

Figure 5 Expenditure per organisation to the end of 2012 as a percentage of the funds received



Source: based on figures from the fifth SHO report (SHO, 2013)

Five SHO members had completed their aid programmes in Haiti by the end of 2012:

- Dorcas (completed in 2011);
- Tear (completed in 2011);
- Terre des Hommes (completed in 2012);
- Oxfam Novib (completed in 2012);
- Cordaid (completed in 2012).

Dorcas and Tear completed their activities in 2011. This is not disclosed in the fourth SHO report (on 2011) because Dorcas and Tear did not inform the SHO in time that they had concluded their activities. Furthermore, their financial ties with the SHO were not settled until 2012.

The expenditure incurred by these five organisations do not sum up to 100% in figure 5 because overhead costs and the remainder still available for expenditure are still open to cover costs outstanding for commitments and programme closure. The remainder for expenditure and overhead costs cannot be disclosed separately on the basis of the SHO's reports.

VNG International had spent the least by the end of 2012. This member is active in the water and sanitation cluster. The notes in the SHO's reports state the programme had been delayed by 'the government's replacement of mayors and the subsequent replacement of local authority staff; uncertainty about property rights at one of the proposed refuse tips; Hurricanes Isaac and Sandy in August and October 2012 and administrative obstacles'.

3 SHO's accounts for 2012

Further improvements were made in the SHO's annual accounts for 2012 in comparison with previous years. The SHO report discloses the size of the funding flows from members to international umbrella organisations and ultimately to the partner organisations in Haiti. The planning and realisation of each project and the cause of discrepancies between the two are also disclosed.

Furthermore, the SHO will introduce a financial template for the annual accounts kept for future actions. The SHO has given no undertakings regarding the recommendation we made in 2011 on the audit of the financial template. Programme management costs per organisation are better explained this year.

Organisation of this chapter

Section 3.1 shows how the SHO has gained more insight into the funding flows. Section 3.2 outlines how the SHO provides more insight into the discrepancies between planned and actual outcomes, and the causes. The use and audit of a financial template for the annual accounts are considered in section 3.3. Section 3.4 describes developments in overhead costs and section 3.5 looks at programme management costs. Finally, section 3.6 provides examples of innovative monitoring and accounting methods used by the SHO's members.

3.1 Improvements in the SHO's Haiti reports

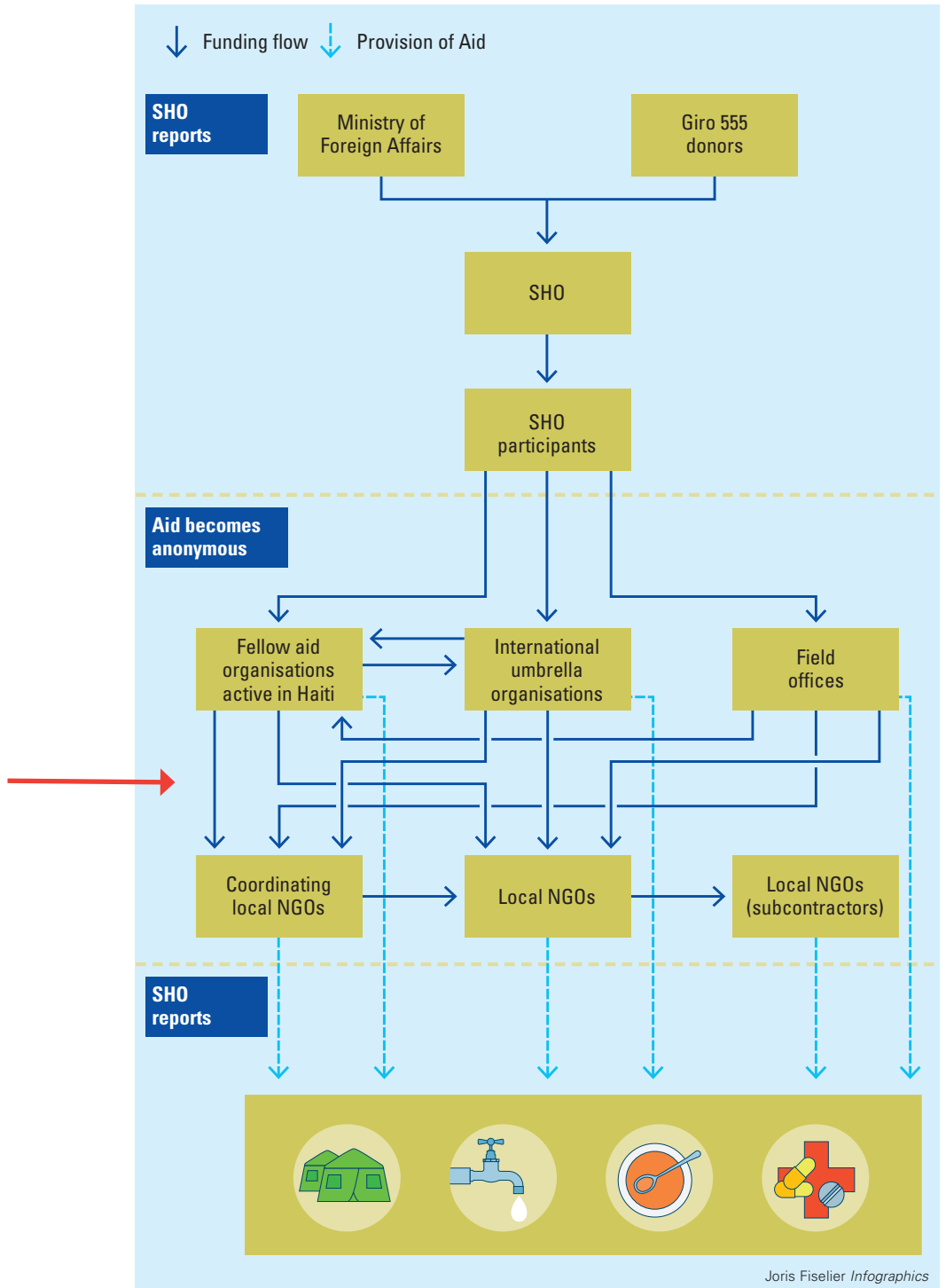
The SHO's report for 2011 contained more and better information than the report for 2010. We accordingly noted in our 2012 report that there was greater transparency regarding the activities (Netherlands Court of Audit, 2012). At the same time, we found several areas where the SHO could improve the accuracy and transparency of its reports. We determined whether these improvements had been made in the 2012 report and whether the SHO had fulfilled its undertakings.

Insight into funding flows

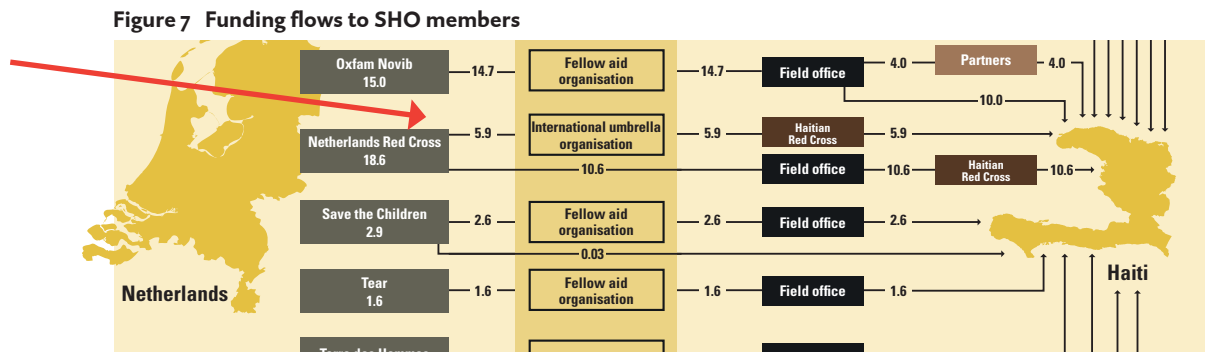
Most of the SHO's members work with partner organisations and international umbrella organisations and/or their own field offices. These organisations receive funds from the SHO to coordinate their aid activities, provide aid themselves or to disburse to organisations in Haiti. The SHO funds then become part of a greater flow of international donations that are disbursed by a variety of organisations to local implementing bodies. From that moment onwards, the funds are anonymous and the SHO funding flow can no longer be distinguished from other international donor funds managed by the aid organisations. To gain a better insight into this complex chain, we made the following recommendations in our report *Accounting for Haiti Aid Funds 2010*:

'Provide a systematic overview of the funding flows from the aid organisations to international umbrella organisations, fellow aid organisations and field offices. This would show at a glance how much the organisations within the umbrella had received from the SHO. In the following links of the aid chain, the sho funds are an anonymous part of a large international funding flow that is spent in Haiti' (Netherlands Court of Audit, 2011). In our first report (Netherlands Court of Audit, 2010), the following figure showed where insight into the funding flows was missing.

Figure 6 Funding flows and aid activities down to final beneficiaries



The SHO included a systematic diagram of the funding flows in its 2011 report (SHO, 2012).⁴ The 2012 report (SHO, 2013) also discloses the allocations to fellow aid organisations, umbrella organisations, partner organisations and field offices, as shown in figure 7.⁵ The SHO has therefore followed up our recommendation. It is now not only clear how the SHO members work (through umbrella organisations, fellow aid organisations or partner organisations) and how they carry out their work in Haiti (through field offices or partners) but also how the funds flow to those organisations and what funds are ultimately available for use in Haiti.



Source: fifth SHO report, appendix 5

It cannot be seen from the figure which partner organisation carries out which aid activities in Haiti using which part of the SHO's funds. The SHO's members could provide this information themselves in their annual reports or on their websites.

How much the international umbrella organisations and fellow aid organisations receive from the Haiti Action is public information. The figures can be obtained, for example, from the organisations' own websites and annual reports (see box).

Greater transparency by combining information from the SHO report with information from the members' websites.

We found an example of transparency gained by combining information from the SHO's report with information from the websites of the SHO's members. Oxfam Novib's website states that Oxfam, the international umbrella organisation, raised more than € 80 million in 2010 for the victims of the earthquake. We know from the SHO's reports that Oxfam Novib received € 15 million from the SHO. This casts some light on the relative importance of the Dutch funds.

3.2 Discrepancies between planned and actual outcomes

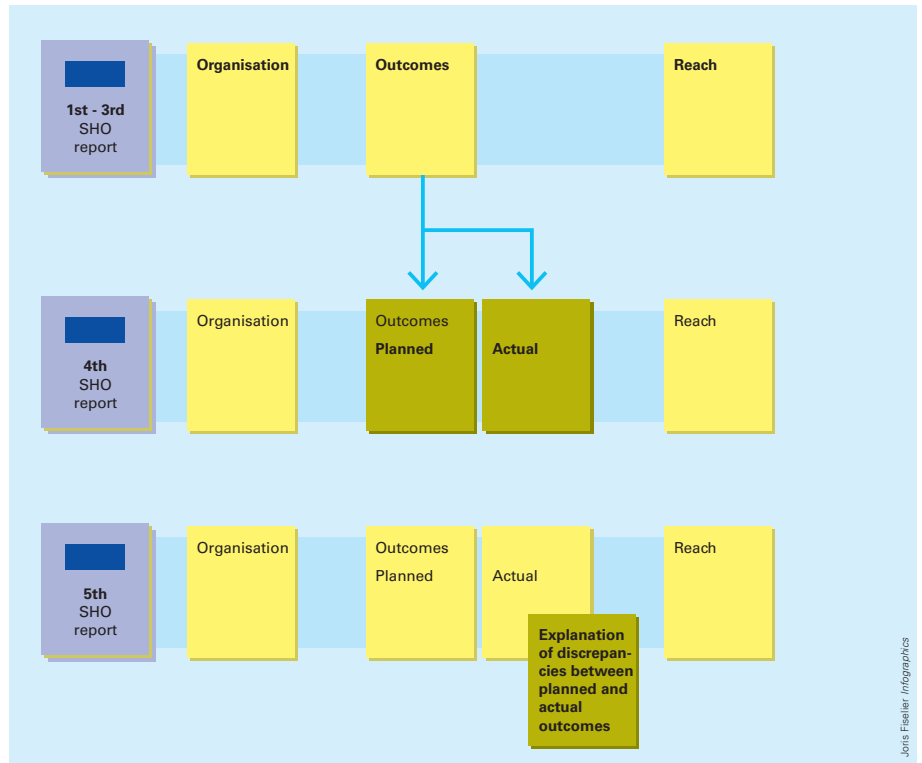
In our report, *Accounting for Haiti Aid Funds 2011*, we made the following recommendation: 'ensure that members formulate both goals and outcomes in smart terms where possible and ensure that they are consistent with each other and explain significant discrepancies' (Netherlands Court of Audit, 2011).

4 Appendix 5 to the fifth SHO report, Funding flows to SHO members.

5 Oxfam Novib disclosed that € 14.7 million had been transferred to fellow aid organisations. Table 7, however, shows € 14.1 million as being transferred to the fellow aid organisation. The difference is due to overhead costs that Oxfam Novib transferred to fellow aid organisations; this amount is not included in table 7 since the table shows amounts excluding overhead costs.

The SHO wrote in its response to this recommendation in 2011 that it would encourage its members to formulate the goals and outcomes of reconstruction activities in SMART terms where possible. The SHO report for 2012 provides more specific and clearly structured information and explanations of discrepancies than the 2011 report. Figure 8 shows how the SHO has adapted and improved the way it reports outcomes over the years.

Figure 8 Improvements in how the SHO reports outcomes



We think some of the explanations of discrepancies are very brief and even raise a number of questions. We considered the transparency not only of the financial information but also of the outcomes: what have the aid organisations achieved versus what they wanted to achieve? The SHO wrote in response to our previous report that its final report in 2015 would pay specific attention to significant discrepancies and their causes (Netherlands Court of Audit, 2012). In our opinion, the SHO should provide this information to the public now. The SHO is the most appropriate organisation to do so as it raised the money from the public and it can show what has been achieved with the donations. We therefore recommend that the SHO take action now if significant discrepancies in the Haiti operation are not explained adequately.

Five organisations had already completed their activities by the end of 2012 yet the Haiti operation runs until the end of 2014 and a final evaluation is not planned until 2015. The management plan does not provide for an evaluation of outcomes in the meantime. In our opinion, activities that are completed before the end of the operation should be evaluated in the year following their completion. We therefore recommend that in future long-term operations the SHO make an early evaluation and assessment of organisations that complete their activities before the end of the operation. Furthermore, the Ministry of BZ could include such evaluation points in grant decisions for long-term operations.

3.3 Template for the annual accounts

Financial template

According to the management plan, *Accounting for and Auditing the Expenditure of the National Action of the Cooperating Aid Organisations*, a financial template should be included in the annual accounts of the SHO's members and be covered by the regular audit of the annual accounts. We made the following recommendation in our report, *Accounting for Haiti Aid Funds 2010*: 'Widen the scope of the external audit to include the statement [the financial template] in the aid organisations' annual accounts of the income, expenses, commitments and disbursements for Haiti. Have the audit protocol state that the auditor must substantively check the reliability of the statement, including its accuracy, completeness and validity' (Netherlands Court of Audit, 2011).

The SHO initially stated that it would not follow up this recommendation (Netherlands Court of Audit, 2011). It had doubts about its added value and thought the financial template would increase the administrative burden if it had to be audited. The SHO explained that the management plan had been drawn up after agreements had been made with the guest members. The SHO's board meeting of 13 August 2012 subsequently decided that guest members participating in future operations would be obliged to sign a standard contract setting out all requirements, including the requirement to use the financial template in the annual accounts. As the decision was taken by the board meeting, the permanent members are also bound by it. We welcome this advance but would repeat our recommendation from 2011 that guest and permanent members should have the template substantively audited as to its accuracy by their house auditors.

The Ministry of BZ has undertaken to oversee the use of the prescribed template in the 2012 accounts. Reports that are not prepared in accordance with the template will not be approved until they are adapted. In those cases where use of the template is not possible, the minister will seek alternatives that provide a comparable level of assurance.

3.4 Overhead costs

The SHO's 2013 progress report reveals that the SHO's members incurred €5,985,065 in overhead costs during the first three years, equal to 6.2% of the total funds spent. A ceiling has been set on the permanent members' overhead costs of 7% of actual expenditure.⁶ The ceiling is 6% for guest members and 1% for the host. The fourth SHO report reveals that overheads amounted to €4,557,000⁷ in 2010 and 2011. Overhead costs in 2012 therefore totalled €1,428,065.⁸ Overhead costs are recognised as totals for all members. Members must account for their total overhead costs when they have completed all the activities paid from the SHO funds. The SHO's final report to the Ministry of Foreign Affairs (to be submitted no later than 30 June 2015) will include a final financial statement on the overhead costs per organisation.

6 The SHO's Action Regulations of 2010 state that the 7% also includes overhead costs incurred by the international umbrella organisation.

7 In our report, *Accounting for Haiti Aid Funds 2011*, we stated that overhead costs totalled €4,942,903 in 2010 and 2011. That amount was based on the members' annual accounts, financial statements or auditor's reports.

8 €5,985,065 - €4,557,000 = €1,428,065

3.5 Programme management costs

Programme management costs are incurred for personnel, offices, transport, the storage of goods, administrative support and cross-cluster activities such as coordination, monitoring and evaluation. The SHO said in response to our report *Accounting for Haiti Aid Funds 2011* that it would seek to provide more insight into programme management costs per member in its 2012 report.

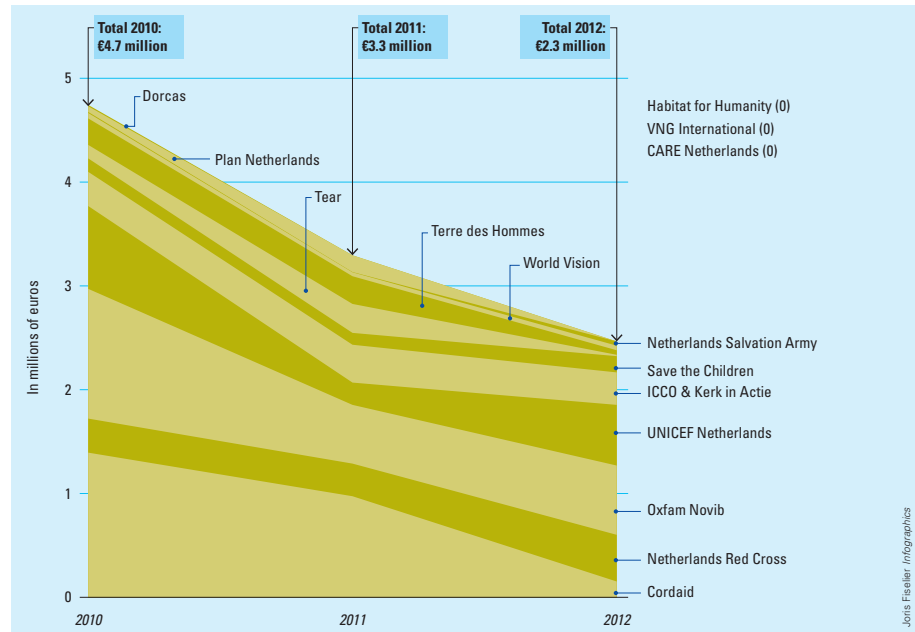
The SHO's 2012 report includes an appendix with notes on programme management costs per organisation and an explanation of their calculation. The appendix provides more information than the 2011 report. It explains, for example that:

- Plan Nederland recognises actual costs incurred;
- VNG International and Habitat for Humanity do not disclose programme management costs as they are recognised in the aid cluster;
- Oxfam Novib allocates programme management costs proportionally;
- Dorcas allocates programme management costs proportionally to the clusters.

This explanation of programme management costs provides the reader with an insight into the type of costs incurred by the organisations (chiefly for personnel and office facilities); it also sheds light on differences between the organisations. Cordaid, for example, has set up its own field office in Haiti, whereas others use the facilities of fellow aid organisations or allocate programme management costs proportionally to the clusters.

Annual programme management costs have fallen from €4.7 million in 2010 to €3.3 million in 2011 and €2.3 million in 2012. Over the three years, programme management costs totalled €10.4 million, equal to 11.5% of total expenditure.

Figure 9 shows the programme management costs per organisation. The differences are probably due largely to differences in allocation. Greater uniformity in allocation would provide the public and the SHO with more information on the organisations' cost effectiveness. We recommend that the SHO encourage members of future aid operations that are not subject to the working methods of an international umbrella organisation to use a uniform definition of programme management costs. The Ministry of BZ could work internationally on the introduction of a uniform definition of programme management costs.

Figure 9 Programme management costs per organisation, 2010-2012

Source: based on figures from the fifth SHO report (SHO, 2013)

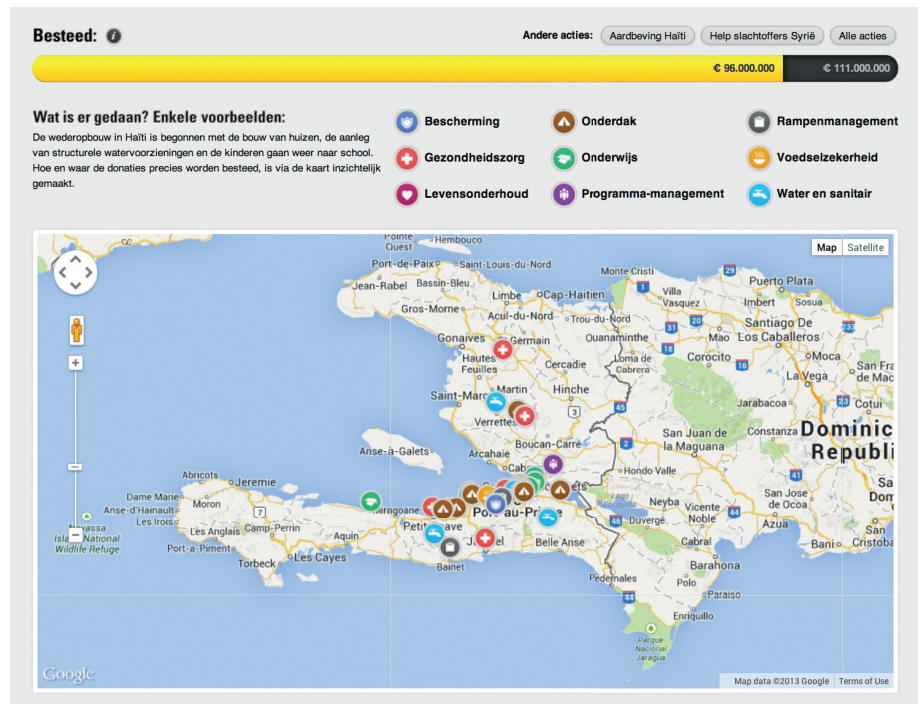
3.6 Innovations in monitoring and accounting

One of the recommendations in our 2011 report related to the use of innovative and efficient forms of monitoring and accounting. We put forward a number of ideas and suggested that the SHO adopt them in future aid operations. New forms of monitoring would increase the effectiveness and efficiency of the accounts and thus reduce the accounting burden. Several SHO members provided their own examples of innovative monitoring and accounting methods for our 2012 report. We intend to discuss them and other examples with the SHO and its members.

- The SHO itself is seeking new, accessible ways to account to the general public by means of infographics and the like on its website. Interested parties in various target groups (such as members of the public and donors) can find information on how the funds are used and to what effect. Clicking on a map of Haiti on the website displays information and photographs of the members' projects (see figure 10). This allows the public to read the stories behind the operation and see the results. The SHO site also provides links to its members' websites. It is important that the SHO's reports and website are consistent with those of its members.⁹

⁹ We examined the consistency between the SHO's report and the SHO's website at the beginning of August and found that the financial information of nine organisations was consistent and the substantive information of seven (some different) organisations was consistent.

Figure 10 Screen shot of the SHO's website



- Cordaid referred to the monitoring system (database) in its shelter project.¹⁰ The database can monitor not only the projects' progress and the payments in real time but can also generate reports on request for managers, beneficiaries, partners and donors.
- ICCO and Kerk in Actie carried out a resource management audit to determine how partner organisations managed and used the funds (audit, insight into efficiency) and to serve as a basis to strengthen capacity for resource management. Initially, the audit was carried out at the end of the project but it is currently carried out while projects are still being conducted. Recommendations can now be followed up immediately and questions about a project can be answered on the spot (e.g. Is the equipment still in the depot? Are the staff still employed?).
- UNICEF has introduced RAPIDFTR (Rapid Family Tracing and Reunification), a mobile application for aid workers to record and share information on children who have been separated from their families. The application also records how many children have been reunited with their parents.

¹⁰ The owner-driven transitional shelter component.

Figure 11 Screen shot of UNICEF's RAPIDFTR application



- The Netherlands Red Cross is facilitating direct communication between the Haitian Red Cross and the International Federation of Red Cross and Red Crescent Societies (IFRC) with aid recipients to ensure that the right aid is delivered to the right place at the right time. An SMS system is used to send messages on storm preparedness, cholera prevention, sexual health, etc. and an interactive voice response system has been introduced to deal with complaints and requests for advice.
- The Netherlands Red Cross is also supporting an IT pilot project to facilitate workflow tracking (financing, risks, indicators, milestones). The system also uses GPS information. The aim is to make the project cycle and monitoring more efficient and to detect errors at an earlier stage. The Netherlands Red Cross intends to roll out this system in all its international projects as from 2014.

4 Oversight by the Ministry of Foreign Affairs

The Ministry of Foreign Affairs (BZ) reviewed and approved the SHO's 2012 report and the 2011 auditor's reports and annual accounts of the SHO's members. It has not yet completed its review of the 2012 auditor's reports. We will consider the 2012 reports in our report for 2013.

If necessary, the Ministry of BZ will carry out a final audit to provide sufficient assurance on the date of its final adoption of the grant.

Organisation of this chapter

This chapter first describes the Ministry of BZ's oversight of the SHO (section 4.1). Section 4.2 explains how the ministry reviews the SHO's reports.

4.1 Oversight in general

By the end of 2012, the Ministry of BZ had made advance payments to the SHO of €33.8 million in total, equal to 81% of the €41.7 million grant it had pledged. The ministry has already finalised and settled €18 million on the basis of the SHO's reports for 2010 and 2011.¹¹ Of the funds transferred from the ministry to the SHO, €12 million related to emergency relief and the remainder to reconstruction.

The Ministry of BZ oversaw and checked compliance with the conditions of the grant decision in 2012 by means of progress talks with the SHO, monitoring visits to Haiti and analyses of the SHO's reports. The Dutch embassy in the Dominican Republic and the consulate-general in Haiti are indirectly involved in the oversight of the use of aid funds by the SHO's members in Haiti. The embassy periodically reports to the Ministry of BZ on the progress made by the humanitarian relief programme and the reconstruction of Haiti, and on the political, economic and social context in which they are being carried out.

4.2 Review of the SHO's report

Review of the fourth SHO report, auditor's reports and annual accounts of guest and permanent members by the Ministry of BZ for 2011

The Ministry of BZ had not completed its review of the SHO's report, auditor's reports and annual accounts when we issued our report Accounting for Haiti Aid Funds 2011. We therefore could not consider the minister's opinion in our report for 2011. We consider it below.

The Ministry of BZ reviewed the fourth SHO report, and its members' auditor's reports and annual accounts for 2011 of the SHO's guest and permanent members and approved them in September 2012. The ministry stressed that the SHO had final responsibility for reviewing the various reports and for analysing differences.

¹¹ Advance: a prepayment by the government on an entitlement to a grant awarded to a third party.

Finalised and settled: the settlement of an advance payment when the recipient has fulfilled its obligations and complied with the grant conditions.

Review of the fifth SHO report, auditor's reports and annual accounts of guest and permanent members by the Ministry of BZ for 2012

The Ministry of BZ reviewed the substantive and financial information in the fifth SHO report and approved it on 19 June 2013, subject to the reservation that it was consistent with the auditor's reports for 2012. The final review of the SHO's report and the auditor's reports had not been completed by August 2013. We will consider it in our report for 2013.

Assurances on final financial report

Pursuant to the grant decision, the SHO must issue a final substantive and financial report before a final decision can be taken on the grant. The report must be issued before 30 June 2015. Article 2.6 of the grant decision lays down the requirements the report must satisfy to provide assurance that the funds were used to achieve the goals for which the grant had been awarded. The Ministry of BZ had a clause included in the SHO's audit protocol last year requiring the members' own auditors to report any discrepancies between the SHO's report and the financial information on Haiti disclosed in its members' annual accounts/financial statements. This will strengthen the reliability of the members' financial statements.

The article does not require an auditor's report or other form of assurance to be issued on the SHO's final report. We pointed out to the Ministry of BZ that assurances should be given on the reliability of the final report as it will underpin the adoption of final grant. The ministry informed us that it would gain sufficient assurances before taking a final decision. Assurance will be provided primarily in the form of the annual auditor's report (in those cases, a final audit is not necessary) but where necessary the ministry will request a final audit for the entire period.

Use of the financial template

The Ministry of BZ has said it will oversee the use of the prescribed financial template in the accounts for 2012. Reports that do not comply with the template will not be approved unless they are adapted. In those cases where the template cannot be used, the ministry will seek alternatives that provide a similar level of assurance. We noted above (section 3.3) that the information disclosed in the template should also be audited by the house auditors. We recommend that the Ministry of BZ include this requirement in its grant decision.

5 Response to the report and the Court of Audit's afterword

The Minister for Foreign Trade and Development Cooperation (BHOS) responded to our report on 19 November 2013. We summarise her response in section 5.1. The response of the SHO's executive and supervisory boards of 12 November 2013 is summarised in section 5.2. The full responses can be read on www.rekenkamer.nl (in Dutch). Our afterword is presented in section 5.3.

5.1 Response of the Minister for Foreign Trade and Development Cooperation

The minister is pleased that the combined efforts of the SHO partners, the Court of Audit and the ministry's civil servants have again improved the SHO's accounts for the Haiti aid funds in several important areas. The minister welcomes the increased transparency regarding the use of the funds. The minister responded to our recommendations as follows.

Financial template

The minister will ensure that the prescribed financial template is used in the accounts. She will not approve reports that do not use it unless they are adapted. In those cases where the template cannot be used, she will seek alternatives that provide comparable assurance.

Review of planned and actual outcomes

The minister will discuss the suggestion to explain discrepancies between actual and planned outcomes in the regular policy consultations with the SHO. She will advise the SHO to apply the customary margins for aid programmes.

Programme management costs

Where possible, the minister will seek a more uniform international definition of programme management costs. She noted that many implementing organisations were members of international networks and the definitions they applied were often the outcome of protracted negotiation that would be difficult to change.

Early closure

The minister welcomes our recommendation to close and evaluate the work of organisations that complete their activities before the end of the programme. She will find out how this can be given legal form.

In conclusion, the minister expressed her appreciation for the audit. She finds the dialogue with the Court of Audit to be very constructive and thinks our valuable recommendations will be relevant to the accounts not only of the Haiti Action but also of future aid operations. In her opinion, the Court's recommendations will also be of benefit to the accounts being kept for the aid funds being raised for the Philippines.

5.2 Response of the SHO

The SHO is pleased with the recognition that improvements have again been made to the annual accounts. The SHO appreciates the cooperation with the Court of Audit and believes it is bearing fruit. It wrote the following in response to our recommendations.

Audit scope and financial template

The SHO observed that more of its members had included the financial template in their annual accounts. As noted before, the SHO has drawn up an audit protocol and asked its members to apply it in full. The protocol requires all members to include the financial template in their annual accounts. The SHO therefore complies with the standards that apply to the sector in general. The SHO will continue to urge its guest members to use the template. In future operations, it will demand that potential guest members include the template in their annual accounts. The SHO did not respond to our recommendation that the information disclosed in the template also be audited by the house auditors as to its reliability.

Early evaluation and assessment

The SHO noted that its members were obliged to have at least 50% of the activities they carry out using SHO funds audited externally. In many cases, early evaluation is possible and members that complete their activities early would prefer not to wait until 2015. The SHO will adopt our recommendation that members submit an evaluation of their activities to the SHO in the year following their completion.

The SHO agrees that significant discrepancies between planned and actual outcomes should be adequately explained and will instruct its members accordingly. It noted that a full explanation would be possible only if a reconstruction proposal had been made, as had been the case for the Haiti Action. Significant discrepancies will in any event be considered in the meta-evaluation carried out after all the members' programmes have been completed. The discrepancies will then be discussed during learning meetings.

Programme management costs

The SHO had studied in the past whether members that were not part of an international umbrella organisation could use a uniform definition of programme management costs. As nearly all members were part of a larger umbrella, the SHO concluded that a uniform definition would have very little added value. It therefore concurs with our recommendation that the Minister for BHOS should work internationally to agree a uniform definition of programme management costs. The SHO proposes that the Court of Audit, the Ministry of BZ and the SHO itself work on such a definition in their own spheres of influence.

Insight into funding flows

The SHO noted that the figure on funding flows would provide less insight if it also showed which partner organisation carried out which activities in Haiti and the amount of SHO funds involved. A very large number of partner organisations carry out many activities in such a massive disaster. The SHO welcomes our suggestion that its members could provide this information themselves in their annual reports or on their websites and will encourage them to do so. It will also encourage its members to post information from the SHO's report on their websites, such as information on the size

of the SHO funds as a proportion of the total response by the international umbrella or fellow aid organisations.

In closing, the SHO noted that several recommendations could be incorporated in the reports. Other recommendations were more ambitious aims for the future but would be placed on the agenda, some in an international context. The SHO would be pleased to explore the opportunities together with the Court of Audit and the Ministry of BZ.

5.3 Court of Audit's afterword

We appreciate the constructive collaboration with the SHO and the Ministry of BZ to improve the accounts for the Haiti aid funds. We expect the advances brought about by the collaboration will improve the accounts kept for new SHO operations, such as the one launched in 2012 for Syrian refugees and the recent aid action for the victims of the Philippine typhoon.

We do not wish to miss this opportunity to point out the importance and potential benefit of open data, geographical information and modern communication techniques to development cooperation. They can not only provide applications to make international aid more efficient and effective but can also be used to account for the aid provided. We have introduced the Integrated Financial Accountability Framework (IFAF) in a web dossier on www.rekenkamer.nl to increase the transparency of funding flows for humanitarian aid. In early 2014, we will consult the SHO to discuss ways to enhance the transparency of the use of aid funds and to reduce the accounting burden by means of new techniques and insights. It goes without saying that we will consult our international contacts on how the accounts kept for aid funds can be further improved.

Appendix I Conclusions and recommendations

	Conclusions in 2013	Recommendations to the SHO in 2013	Recommendations to BHOS in 2013	Undertakings/response in 2013	Afterword
1	The SHO's report for 2012 is again more complete and transparent than the previous year's report. The SHO has therefore continued the progress made with the reports.				
2	In accordance with our recommendation in 2011, the SHO included amounts in the figure on SHO funding flows.				
3	<p>The SHO did not follow up our 2011 recommendation to widen the scope of external audit to include the financial template. It also did not state in the audit protocol that the auditor must audit the reliability, including accuracy, completeness and validity, of the template.</p> <p>The SHO has undertaken to make the inclusion of the template in the annual accounts of guest members compulsory in future operations. The permanent members are already required to do so. The Ministry of BZ will oversee the use of the template in the 2012 accounts.</p>	Ensure that members not only use the template but also have it substantively audited as to its reliability by their house auditors.	Impress upon the SHO the desirability of auditing the information disclosed in the templates.	<p>The SHO noted that more members had included the template in their annual accounts. The audit protocol requires all members to include the template in their annual accounts. In future operations, the SHO will also require potential guest members to do so.</p> <p>The minister will oversee the use of the prescribed financial template in the accounts. Reports that do not comply with the template will not be approved. Where the template cannot be used, alternatives that provide a comparable level of assurance will be sought.</p> <p>The SHO and the minister did not respond to our recommendation to have the information disclosed in the templates audited as to its reliability by the house auditors.</p>	

	Conclusions in 2013	Recommendations to the SHO in 2013	Recommendations to BHOS in 2013	Undertakings/response in 2013	Afterword
4	The SHO has provided more insight into which costs are classified as programme management costs. In addition to examples per organisation, the calculation of programme management costs per organisation is explained. We concluded that organisations used different definitions of programme management costs	Encourage members that are not subject to the working methods of an international umbrella to use a uniform definition of programme management costs in future operations.	Seek a uniform definition of programme management costs at international level.	The SHO considers the added value to be negligible because nearly all members are part of a larger umbrella. The SHO proposes that the Court of Audit, the Ministry of BZ and the SHO itself seek a uniform definition of programme management costs in their own spheres of influence. The minister will seek a more uniform international definition where possible.	
5	The SHO's fifth report is in accordance with the agreements made with the Ministry of BZ. The Ministry of BZ completed and adequately exercised its oversight for the fifth SHO report.				
6	The SHO's report contains a detailed table of each member's planned and actual outcomes per sector and the reasons for discrepancies or differences. The notes on the discrepancies between actual and planned outcomes are not always sufficiently informative.	Ensure that significant discrepancies between planned and actual outcomes are adequately explained. If they are not, ask the member concerned for an explanation.		The SHO agrees that significant discrepancies between planned and actual outcomes should be adequately explained and will direct its members accordingly. Discrepancies between planned and actual outcomes will be covered by the meta-evaluation after all the members have completed their programmes and they have been discussed at the subsequent learning meetings.	
7	The SHO's management plan does not provide for early evaluations. In long-term SHO operations, such as the Haiti Action, this means that members that complete their activities at an early stage do not evaluate their activities until several years later.	In long-term operations, have organisations that complete their activities at an early stage evaluate their activities in the year following completion and analyse any significant discrepancies between planned and actual outcomes.	Ensure that the grant decision provides for early closure and evaluation of activities that are completed before the end of the operation.	The SHO has adopted our recommendation that members should evaluate their activities in the year after they complete them and submit the findings to the SHO. The minister will determine whether and, if so, how this can be legally cast.	

	Conclusions in 2013	Recommendations to the SHO in 2013	Recommendations to BHOS in 2013	Undertakings/response in 2013	Afterword
8	<p>The SHO must submit a final report and accounts before the grant decision can be adopted. The grant decision, however, does not require an auditor's report or any other form of assurance to be given on the final report.</p> <p>The Ministry of BZ will ensure there is sufficient assurance when it adopts its grant decision.</p>				

Appendix II Audit methodology

Audit questions

1. What part of the Haiti 2010-2015 aid funds had been spent, and in what sectors, by the end of 2012 by the guest and permanent members of the SHO? See chapter 2.
2. Have the agreements between the SHO and the aid organisations and the agreements between the Ministry of Foreign Affairs (BZ) and the SHO been honoured in the accounts of the aid provided in Haiti in 2012? See chapter 3.
3. How has the Ministry of BZ exercised oversight of the grant disbursed to the SHO? See chapter 4.
4. Have the Ministry of BZ and the SHO followed up the recommendations we made in previous reports (2010 and 2011) regarding the accounting information? See chapter 3.¹²

Audit scope

The government grant of €41.7 million cannot be distinguished from the private donations when the aid funds are spent. Our audit therefore covered all expenditure and revenue in the SHO aid operation in Haiti, including donations made by local and central authorities, businesses and private individuals.

We analysed the SHO's accounts for 2012 and the oversight exercised by the Minister for Foreign Trade and Development Cooperation in 2012 of the €13 million that the Ministry of BZ awarded to the SHO in the form of a state grant in 2012. We considered whether the accounting information and the oversight were adequate. We made use of the 2012 accounts that the SHO prepared in April 2013 and the approved auditor's reports issued on the 2011 accounts of the 15 participants in the SHO's Haiti operation. As in 2010 and 2011, we also inspected the annual accounts of the SHO and the 15 aid organisations that are certified by external auditors. We did not carry out our own audit of the reliability of the financial statements prepared by the SHO and the 15 aid organisations but relied on the reports of the organisations' external auditors. This single audit principle, in which we relied on the work of previous auditors, reduces the audit burden.

Standards

The criteria we applied were:

- the agreements between the SHO and the aid organisations as laid down in the SHO's management plan, organisational regulations, action regulations and audit protocol;
- the agreements laid down in the Ministry of BZ's grant decision;
- international criteria for humanitarian aid.

We also applied our own criteria. These were:

Standards applicable to the Ministry of BZ's oversight

- the grant decision for the SHO must comply with all conditions necessary for good accountability;
- the audit of the SHO's accounts to the ministry must satisfy the standards applicable to audits of the use of government grants;

¹² As we did not make any recommendations to the Ministry of BZ in our previous report, the fourth audit question is not relevant to the ministry.

- the minister must inform the House of Representatives on time, in full and with relevant information about the goals set, the activities funded by the grant and the results achieved;
- standards on the presentation of policy information: relevant and true, understandable and comparable;
- standards on the preparation of policy information: reliable, valid, orderly/auditable and cost effective;
- standards on accounting information submitted to the House of Representatives: reliable, up to date, unambiguous and complete.

Standards applicable to the SHO

The following standards are relevant to disaster aid:

- the funds must be spent on their intended purpose;
- the funds must be spent regularly, in accordance with the grant decision;
- the funds must be spent effectively and efficiently in accordance with applicable standards in the Ministry of BZ's grant decision;
- the SHO must inform the minister in time, in full and with relevant information about the use of the SHO aid funds for Haiti, as laid down in the grant decision.

Appendix III Abbreviations

BHOS	(Minister for) Foreign Trade and Development Cooperation
BZ	Ministry of Foreign Affairs
Cordaid	Catholic Organisation for Relief and Development Aid
GPS	Global Positioning System
ICCO	Inter-church Coordination Committee for Development Cooperation
IFRC	International Federation of Red Cross and Red Crescent Societies
NGO	Non-governmental organisation
Novib	Netherlands Organisation for International Development Cooperation
OCHA	Office for the Coordination of Humanitarian Affairs
OXFAM	Oxford Committee for Famine Relief
SHO	Cooperating Aid Organisations
UNICEF	United Nations International Children's Emergency Fund
UN	United Nations
VNG	Association of Netherlands Municipalities

Appendix IV Literature

Publications are listed under their original title, translated into English between brackets. Publications are available in the original language only unless stated otherwise.

Netherlands Court of Audit (2011), *Verantwoording van de hulp gelden 2010 in Haïti* (available on www.courtofaudit.nl: Accounting for Haiti Aid Funds 2010), House of Representatives, 2011-2012, Parliamentary Papers 32 293 no. 10, The Hague, Sdu.

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SHO (2011), *Derde gezamenlijke SHO-rapportage Haïti 13 januari - 31 december 2010* (Third joint SHO report on Haiti 13 January - 31 December 2010), The Hague, SHO.

SHO (2012), *Vierde gezamenlijke SHO-rapportage Haïti 13 januari - 31 december 2011* (Fourth joint SHO report on Haiti 13 January - 31 December 2011), The Hague, SHO.

SHO (2013), *Vijfde gezamenlijke SHO-rapportage Haïti 13 januari - 31 december 2012* (Fifth joint SHO report on Haiti 13 January - 31 December 2012), The Hague, SHO.

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