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**AUDIT OF UNHCR OPERATIONS IN JORDAN**

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AUDIT OF UNHCR OPERATIONS IN JORDAN (AR2005/131/02)

EXECUTIVE SUMMARY

In April 2005, OIOS conducted an audit of UNHCR Operations in Jordan. The audit covered activities with a total expenditure of US\$ 9 million in 2003 and 2004. A draft of this report was shared with the Representative and with the Director, Bureau for CASWANAME. The comments, which were received in August 2005 from the Representation, are reflected in the final report. *The Representation has accepted the recommendations made and is in the process of implementing them.*

Overall Assessment

OIOS assessed the UNHCR Operation in Jordan as above average. Overall, it was well run, and although some weaknesses in the application of internal controls were identified, the weaknesses concerned were not sufficiently critical to compromise the overall system of internal control.

Programme Management

- For the three partners reviewed, reasonable assurance could be taken that UNHCR funds were properly accounted for and disbursed in accordance with the Sub-Project Agreements, except for one sub-project (under the 2003 emergency programme) of the Ministry of Planning and International Cooperation (MoP), as there was a lack of documentation to support the expenditure charged to UNHCR.
- OIOS assessed that project financial and performance monitoring was adequately performed, but could have been improved over the 2003 emergency sub-project with MoP.

Supply Management

- Procurement activities were limited, but the purchases undertaken generally adhered to UNHCR's procurement procedures except for the mobile phone service provider, which was not selected competitively. *Appropriate action has been taken to address this.*

Administration

- In the areas of administration and finance, the UNHCR offices in Jordan generally complied with UNHCR's regulations, rules, policies and procedures and controls were operating effectively during the period under review. Internal controls needed to be strengthened, and a review conducted of the necessity to continue to have staff on Temporary Assistance beyond the 728-day limit. MIP claims were mostly processed in accordance with MIP Guidelines.

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## I. INTRODUCTION

1. From 14 April to 2 May 2005, OIOS conducted an audit of UNHCR's Operations in Jordan. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. OIOS reviewed the activities of the Office of the Representation in Jordan and UNHCR's camps in Ruwashed and No Man's Land, as well as three of its implementing partners.
2. OIOS' previous audit of UNHCR in Jordan was conducted in May 2002. The review focused on 2001 activities covering expenditure of US\$ 750,000. OIOS recommended strengthening internal controls over the receipt and distribution of resettlement grants, improvement to the administration of national UNVs and enhancement of procurement activities. The issues were generally addressed except for some related to procurement.
3. UNHCR provides international protection to about 1,000 refugees, mainly Palestinians and Iranian Kurds, and up to 12,000 asylum seekers awaiting refugee status determination. The most vulnerable are provided with basic care and maintenance. Resettlement is the only option for refugees due to the limited scope for local integration and voluntary repatriation. Resettlement however has become more time-consuming and difficult after September 2001. Refugees are now spending longer periods of time in Jordan pending a durable solution. UNHCR is also working with the Government of Jordan to ensure refugees' rights are protected.
4. The findings and recommendations contained in this report have been discussed with the officials responsible for the audited activities during the exit conference held on 2 May 2005. A draft of this report was shared with the Representative and with the Director, Bureau for CASWANAME. The comments, which were received in August 2005 from the Representation, are reflected in the final report. *The Representation has accepted the audit recommendations made and is in the process of implementing them.*

## II. AUDIT OBJECTIVES

5. The main objectives of the audit were to evaluate the adequacy and effectiveness of controls to ensure:
  - Reliability and integrity of financial and operational information;
  - Effectiveness and efficiency of operations;
  - Safeguarding of assets; and,
  - Compliance with regulations and rules, Letters of Instruction and Sub-Project Agreements.

## III. AUDIT SCOPE AND METHODOLOGY

6. The audit focused on 2003 and 2004 programme activities under projects 03/AB/JOR/CM/200, 03/SB/JOR/EM/130, 03/SB/JOR/RP/333, 04/AB/JOR/CM/200 and 04/SB/JOR/RP/333 with expenditure of US\$ 6.6 million. Our review concentrated on the activities implemented by Care Australia (CARE) - expenditure of US\$ 1.8 million; Ministry of Planning & International Cooperation (MoP) - expenditure of US\$ 1.8 million and Jordan Hashemite Charity Organization (JHCO) - expenditure of US\$ 1.5 million. We also reviewed

activities directly implemented by UNHCR with expenditure of US\$ 0.5 million.

7. The audit reviewed the administration of the Office of the Representation with administrative budgets totalling US\$ 2.5 million for the years 2003 and 2004 and assets with an acquisition value of US\$ 3 million and a current value of US\$ 2 million. The number of staff working for the UNHCR Operation in Jordan was 45. This included staff on regular posts, United Nations Volunteers, project staff, staff on mission, and one consultant deployed under the Surge project.

8. The audit activities included a review and assessment of internal control systems, interviews with staff, analysis of applicable data and a review of the available documents and other relevant records.

#### **IV. AUDIT FINDINGS AND RECOMMENDATIONS**

##### **A. Review of Implementing Partners**

9. For the three partners reviewed, reasonable assurance could be taken that UNHCR funds were properly accounted for and disbursed in accordance with the Sub-Project Agreements, except for one sub-project (under the 2003 emergency programme) of the Ministry of Planning and International Cooperation. For this sub-project there was a lack of documentation to support the expenditure incurred. OIOS assessed that internal controls for the other partners were generally in place and operating effectively.

10. UNHCR had contracted an external audit firm to perform the audits for 2003 sub-projects with local partners. Audit certificates were available and unqualified opinions were expressed for all sub-projects. The external auditor's management letters were fairly detailed and to an extent enabled OIOS to reduce the scope of the audit of partners.

##### **(a) Care Australia**

11. CARE was responsible for two sub-projects. One included activities such as community development, counselling, in-kind assistance and training to urban refugees. The other provided community services and mother/child health services in the two refugee camps in Ruwaished and No Man's Land.

12. CARE's internal control mechanisms were generally in place and working effectively. Expenditures were appropriately approved and supported by adequate documentation. CARE is pre-qualified by UNHCR to conduct procurement on their behalf, but only minor items like office supplies, sanitary napkins and material for community centres were purchased. Procedures were assessed as generally satisfactory and operating effectively during the period under review.

##### **(b) Ministry of Planning & International Cooperation**

13. The Government of Jordan, through MoP, undertakes the necessary measures to maintain the UNHCR camp infrastructure. This included the involvement of the Ministry of Water, Ministry of Energy, Civil Defense and the Ministry of Health.

14. MoP had a manual accounting system whereby expenditures were recorded on a ledger. OIOS found no evidence however that the accounting records were reviewed or approved by anyone but the accountant who prepared them. MoP had a separate bank account for UNHCR funds, but no bank reconciliations were prepared. OIOS recommended that internal controls be strengthened to ensure there is proper segregation of duties and accounting records and reconciliations are independently reviewed and approved by a supervisor. *The Representation has requested the MoP to strengthen internal controls by ensuring accounting work is properly supervised and segregated, and bank reconciliations are prepared and reviewed on a regular basis.*

15. For the 2004 sub-project assurance nonetheless could be taken that UNHCR funds were properly accounted. The expenditures charged mainly related to the supply of water, kerosene and health services. The delivery of water and kerosene was closely monitored and checked by camp management (JHCO), and OIOS found that there were adequate controls to ensure the appropriate level of health services were provided as agreed under the sub-project.

16. While MoP is the coordinator between Ministries, there were no written agreements with them to document the work required or the goods to be delivered. Everything was “agreed” in official letters, which MoP sent to other ministries referring to the Sub-Project Agreement between UNHCR and the Government of Jordan. The letters simply provided the other ministries with a financial ceiling for the required services or goods. *The Representation has requested MoP to prepare written agreements with other Ministries for the delivery of goods and services listed in the Sub-Project Agreement.*

17. For the 2003 emergency project 03/SB/JOR/EM/130 (a\$), with expenditure of US\$ 907,011 for camp infrastructure, MoP was responsible for coordinating some of the construction work related to the establishment of the two camps. OIOS was unable to obtain any documents pertaining to MoP’s management of the project, and were only presented with invoices from the Ministry of Public Works. The invoices simply listed details of the work done, i.e. machines used and staff hours worked. This data could not be correlated to the charges made to UNHCR in the SPMR. Moreover, there were no supporting documents to verify that the results of the work done were in accordance with the expected outcomes as listed in the Sub-Project Agreement. OIOS visit to the camps to observe the work done could also not confirm that UNHCR funds were properly accounted for. This should have been identified as part of UNHCR’s regular programme monitoring. Moreover, the SPMR narrative for the sub-project was neither available in UNHCR nor MoP. OIOS suggested that if the scope of work with MoP ever increases, the Representation should ensure the results are properly monitored and controls by UNHCR.

18. OIOS noted that MoP paid the highest possible rate for electricity, JD 0.080 per kWh. MoP explained that this was the normal rate between ministries. OIOS noted however that the rates charged for charities (given in the price list attached to the invoices) was discounted by 25 per cent, and further discounted rates could be given for other consumption categories. OIOS was of the opinion that UNHCR, as a humanitarian organization should get the most favourable rate available. If a 25 per cent discount was applied to the current rate it could result in savings of some US\$ 6,000 per year. *The Representation has taken this issue up with MoP and it is exploring it with the Ministry of Energy. A response is expected soon.*

### **Recommendation:**

- The UNHCR Representation in Jordan should continue negotiations with the Ministry of Planning and International Cooperation and the Ministry of Energy to ensure that UNHCR as a humanitarian organization obtains electricity for the Ruwaished camp at a favourable rate. Considering the discounts already given to other organisations this could result in savings to UNHCR of US\$ 12,000 over a two-year period (Rec. 01).

#### (c) Jordan Hashemite Charity Organization (JHCO)

19. JHCO is a charity organization mainly involved with operations outside Jordan. For example, they were operating in the West Bank, Darfur and the tsunami relief operation in Asia. It is officially an NGO, but it has close relations to the Government of Jordan.

20. The internal controls over the authorizing function were generally in place and operating effectively, and expenditures were adequately supported. JHCO had a separate bank account for UNHCR funds and it was operated on joint signatory basis. Bank statements and regular bank reconciliations were available for our review, but we noted that they were not reviewed or approved by an independent person. *The Representation has requested JHCO to strengthen internal controls by ensuring that bank reconciliations are reviewed on a regular basis.*

21. JHCO's procurement procedures were generally satisfactory, and the supporting documentation attached to the payment vouchers was adequate. For its domestic purchases JHCO was not exempt from sales tax. Nonetheless, it mainly consisted of the procurement of food, which had no sales tax imposed on bread and only between two to six per cent on vegetables (depending on the country of origin). OIOS' agreed with the Representation that direct procurement by JHCO with its long-term local procurement experience was more cost effective than if goods were purchased tax-free directly by UNHCR.

#### B. Other Programme Issues

22. OIOS assessed that project financial and performance monitoring was competently performed. It was conducted on a quarterly basis on the submission of the SPMRs. The findings were documented and discussed with the partners involved. The Representation organized and conducted training for partners as and when required. OIOS highlighted however that more vigorous project monitoring of MoP's management of activities might be required considering the lack of confidence in the level of camp construction work conducted under the 2003 emergency sub-project.

23. The budgeted amount allocated to Sector P in some cases appeared excessive. OIOS pointed out that it should normally not exceed 15 per cent of the total budget of a sub-project. *The Representation took note and stated that action would be taken in the new Sub-Project Agreements issued during 2005 and for all 2006 Sub-Project Agreements.*

### C. Supply Management

24. The level of procurement by the Representation was limited. For the purchasing undertaken however, OIOS found that the Representation generally adhered to UNHCR procurement rules and procedures and they were operating effectively during the period under review. The Logistics Unit of the Representation mainly served the Iraq Operation Unit in Amman (IOUA), which OIOS reviewed and reported on under a different assignment. A Local Committee on Contracts (LCC) was established in 2003 and subsequently converted to a Regional Committee on Contracts (RCC) in 2004. OIOS' review of the LCC/RCC assessed that it was working effectively.

25. OIOS recommended as part of the 2002 audit that competitive bidding be conducted for various activities including security, travel, office supplies, training and fuel. OIOS was pleased to note that most of these goods and services have now been procured competitively. It was noted nonetheless that the supplier for mobile phone services costing US\$ 66,000 in 2004 had not been selected competitively, even though there were several operators currently in Jordan. OIOS recommended that the Representation comply with UNHCR's procurement rules and procedures and select the mobile phone service supplier after a competitive bidding exercise has been undertaken. *The Representation stated that in May 2005 during the Common Administrative Services Task (CAST) Force meeting the above issue was raised with all UN Agencies to obtain a competitive offer from the three existing companies. During the June CAST meeting, and further to a comparison made between three companies, it has been agreed to select the provider with the best corporate prices, and that the UN Agencies in Jordan will use their services.*

### D. Administration

26. In the areas of administration and finance, the UNHCR Representation in Jordan generally complied with UNHCR's regulations, rules, policies and procedures and controls were operating effectively during the period under review.

#### (a) Financial Management

27. Segregation of duties was not always observed, and proper certifying, approving and authorizing procedures were not always in place. OIOS reminded the Representation that no staff member should approve any payments to him/herself or authorize their own travel. *The Representation accepted the recommendation but stated that at times there were only a few authorized signatories present thus necessitating occasionally the beneficiary to sign for him/herself. The Representation has taken note of the recommendation to draw up a Note for the File in such instances.* OIOS would remind the Representation that for staff members to approve their own payments is a serious weakness in internal controls, and a Note for the File will not suffice and cannot mitigate the risks associated with such a practice. OIOS would reiterate that under no circumstances should Officers be approving their own entitlements/payments. The responsibility must be given to another Officer with delegated authority to approve the payment.

(b) Official Travel

28. In July 2003 the Representation introduced the practice of using monthly travel authorizations to facilitate visiting camps. Staff, mainly drivers, used these and submitted their travel claims at the end of each month. OIOS reviewed the monthly travel authorizations and noted that while they were usually issued at the beginning of the month in some cases they were issued late and backdated to the first of the month. In one case the travel authorization was approved only on the 18th for the full month of October 2004.

29. Improvements were instigated for 2005, and from January 2005 monthly travel authorizations were accompanied by individual mission requests. OIOS found however that they were not always completed in a timely manner and travel authorizations were not always issued prior to travel. *The Representation indicated that mission requests are being completed and signed prior to the issuance of PT.8s.*

(c) Medical Insurance Plan (MIP)

30. MIP claims were generally processed in accordance with MIP Guidelines. The majority of the claims were of a low value. OIOS noted however that criteria and standard price lists of treatment, drugs and medicines had not been prepared as a benchmark to ensure only reasonable amounts were reimbursed. Also, the Representation had not produced a list of recommended hospitals, doctors and pharmacies to ensure staff and their dependents receive the best medical care at favourable prices. As a result, staff seem to be paying different rates for similar treatments. *The Representation stated that they are referring staff to the Arab Medical Centre with which an agreement had been made but staff preferred to go to cheaper doctors. The Representation informed that they are working on a list of "cheaper" doctors for the purposes of MIP claims.*

(d) Human Resources Management

31. Currently the Secretary of the Representative was performing the duties of a Human Resources Assistant for both the Representation in Amman and the Iraq Operations Unit. OIOS found that the Jordan operation was heavily dependent on staff on Temporary Assistance (TA). There were 16 TA posts for local staff and 3 fast track posts for international staff. Also, eight "staff" were hired under Special Service Agreements (SSAs) mainly for cleaning services. Almost two thirds of the 2004 ABOD expenditure of some US\$ 868,000 was charged against Temporary Assistance (03x). OIOS pointed out that SSAs are not valid UNHCR contractual agreements and recommended that the Representation seek alternative contractual arrangements such as hiring a company. *The Representation has received similar advice from DHRM as well as from the Legal Affairs Section and has signed a contract with a cleaning company.*

32. According to IOM/FOM/26/2004 'Temporary Assistance lines in the context of the 2005 Annual Programme Review', TA lines under the special budget in the General Service, National Officer and Field Service categories should be advertised within a year, subject to confirmation of continued funding of the function. Despite these guidelines, the Representation has received a special budget to charge staff against TA since 2003, and from information received from the desk this will continue in 2006. As a result, at the time of the

audit, there were eight staff members, whose appointment has been exceptionally extended beyond the 728-day limit. *The Desk justified the continuation of TA posts with the fact that there are no funds to cover the posts under Annual Budget (AB), so they should remain under the Special Budget (SB) until such time the Iraq SB is mainstreamed to AB.* While OIOS appreciates the reasoning, the practice is contrary to UNHCR's policy. Moreover, the practice of short-term, one to three month contracts for TA staff creates insecurity, and exposes the organization to a risk of losing competent and experienced staff if more permanent employment possibilities become available elsewhere.

**Recommendation:**

- The UNHCR Bureau of CASWANAME in conjunction with the Representation in Jordan should conduct a review of continuing Temporary Assistance posts under the Special Budget related to the Iraq Programme and consider regularizing their posts under the Annual Budget. This is particularly pertinent if it is foreseen that these staff will be needed in 2006 (Rec. 02).

33. OIOS noted that the staff of the Representation and that of IOUA are subject to a different Home Leave entitlement. For newly appointed IOUA staff in Amman the appointment letter includes "Baghdad is a duty station with a 12-month home leave cycle", whereas the others are on a 24-month cycle. IOUA staff members do not have permission to enter Iraq and are working in the same building as the Representation staff. It does not appear fair that staff members working under the same conditions at the same duty station are eligible for different entitlements. *DHRM provided OIOS with memorandum from United Nations Security Coordinator (a.i) dated 25 March 2004 that stated "United Nations staff members performing Iraq-related functions will be assigned to Jordan on a non-family-duty-station basis". The Desk commented that due to budgetary reasons the staff members are assigned to Baghdad, although the office resides in Amman.* While OIOS appreciates that such an arrangement was appropriate at the time of evacuation for staff originally assigned to Iraq, this discrepancy now needs to be reviewed. The security situation does not currently allow international staff to enter Iraq therefore for newly assigned staff DHRM should seek clarification of this practice. This is especially relevant as there are plans to integrate the Amman office and IOUA.

**Recommendation:**

- The UNHCR Division of Human Resources Management should seek for clarification from United Nations Security Coordinator whether the policy of applying non-family-duty-station basis to staff newly assigned to Amman but performing Iraq-related functions should continue (Rec. 03).

(e) Field location Ruwaished

34. OIOS visited the two refugee camps in Ruwaished and in No Man's Land, close to the Iraq border. OIOS noted however that the office was established without any official status. The staff members working at this 'office' are local staff on TA and international UNVs, no

UNHCR international staff are assigned directly or are on mission to Ruwaished. The status of Ruwaished was unclear. It is sometimes referred to as a satellite office and sometimes just as a place where UNHCR has presence. In OIOS' opinion the status of the presence at Ruwaished should be clarified.

35. UNHCR had a guesthouse in Ruwaished costing about US\$ 635 per month. Staff members on mission who have been provided staff housing and who are in receipt of DSA are subject to a deduction from DSA at the prescribed rates. The room charges for the guesthouse were not in accordance with UNHCR rules and procedures, i.e. as a percentage of the applicable DSA. It has been arbitrarily established at JD 10 (US\$ 14.12) per night against the rate application for substandard accommodation of 25 per cent of the DSA, i.e. US\$ 30.75 (JD 21.750) per night. *The UNHCR Representation in Jordan took immediate action to rectify the situation.*

## V. ACKNOWLEDGEMENT

36. I wish to express my appreciation for the assistance and cooperation extended to the auditor by the staff of UNHCR and implementing partners in Jordan.

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