

UNITED NATIONS
Office of Internal Oversight Services
UNHCR Audit Service

Assignment AR/2005/111/01
Audit Report R06/006

31 May 2006

AUDIT OF UNHCR TOGO EMERGENCY - GHANA

Auditors:

Alpha Diallo
Humphrey Kagunda



Office of Internal Oversight Services
UNHCR Audit Service

AUDIT OF UNHCR TOGO EMERGENCY - GHANA (AR/2005/111/01)

EXECUTIVE SUMMARY

In November 2005, OIOS conducted an audit of UNHCR Togo Emergency Operations in Ghana. The audit covered activities with a total expenditure of US\$ 611,000 in 2005. A draft of this report was shared with the Director of the Bureau for Africa and the Representative in March 2006. The comments, which were received in May 2006, are reflected as appropriate in the final report.

Overall Assessment

- OIOS assessed the UNHCR Operation in Ghana as average, it was adequately run but although the majority of key controls were being applied, the application of certain important controls lacked consistency or effectiveness. In order not to compromise the overall system of internal control, timely corrective action by management is required.

Programme Management

- For the partner reviewed, National Catholic Secretariat (NCS), reasonable assurance could be taken that UNHCR funds were properly accounted for and disbursed in accordance with the Sub-Project Agreement. Nonetheless, efforts were required to strengthen its internal controls.
- NCS, a local NGO, did not have adequate segregation of duties, as the Project Coordinator prepared the financial reports, authorized and approved the expenditure and dealt with cash disbursements. OIOS recommended that the manual accounting and filing system be improved, as although expenditure was analysed according to UNHCR budget structure there were no ledgers or other summary documents showing how the SPMRs had been prepared. *The Representation requested NCS to establish appropriate internal control mechanisms and introduce a proper filing system, and indicated that action has been initiated.*
- OIOS assessed that the emergency response provided by the office was satisfactory, despite some shortcomings, which were attributable to funding constraints and the lack of experienced partners. An appropriate contingency plan had been prepared well in advance of the 2005 political unrest, and was later revised in conjunction with other UN agencies.

Supply Management

- UNHCR procurement procedures were not always complied with. Under the emergency project, purchase orders and contracts were issued for the local procurement of vehicles of a significant value without the prior approval of the Headquarters Committee on Contracts. *The Representation explained that proper procedures were not adopted as*

Land Cruisers were fast moving commodities in Ghana and the supplier would not keep the vehicles without a firm commitment from UNHCR.

Security and Safety

- Security at the Field Office in Ho needed improvement. While no Minimum Operational Security Standard (MOSS) had been established for the Field Office, OIOS assessed that, on the basis of the MOSS requirements for Accra, there was a need to implement minimal security measures. This should include a perimeter fence, installation of fire extinguishers, metal detectors and electric generators. *The Representation indicated that steps have been taken to ensure MOSS compliance. This was not done earlier due to lack of funds. Additional upgrades were still required to make it fully compliant.*

Administration

- In the areas of administration and finance, the UNHCR Office in Ghana generally complied with UNHCR's regulations, rules, policies and procedures and controls were operating effectively during the period under review.
- The allocated budget for 2005 was exceeded by some US\$ 45,000, whilst the spending authority was exceeded by some US\$ 76,000. *The Representation explained that budgetary overruns were due to payments made by Headquarters on behalf of the Representation that had not been taken into account in the system by notional vouchers. The Representation stressed the fact that it maintained adequate budgetary controls, and the only reason for the perceived budgetary overruns was the time lag of information sharing from Headquarters.*

May 2006

TABLE OF CONTENTS

CHAPTER	Paragraphs
I. INTRODUCTION	1-4
II. AUDIT OBJECTIVES	5
III. AUDIT SCOPE AND METHODOLOGY	6-8
IV. AUDIT FINDINGS AND RECOMMENDATIONS	
A. Review of NCS	9-10
B. Other Programme Issues	11-12
C. Supply Management	13-15
D. Security and Safety	16
E. Administration	17-21
V. ACKNOWLEDGEMENT	22

I. INTRODUCTION

1. From 24 to 29 November 2005, OIOS conducted an audit of UNHCR's Togo emergency operations in Ghana. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. OIOS reviewed the activities of the UNHCR Representation in Ghana and its Field Office in Ho and of one of its implementing partners.

2. OIOS' previous audit of UNHCR in Ghana was conducted in 2003. The review focused on the 2002 activities covering expenditure of US\$ 1 million. The main issues raised by the audit pertained to the lack of procedures to obtain systematic VAT exemptions, inadequate procurement procedures by implementing partners and internal control weaknesses over warehousing activities. Prior to the OIOS audit, the Regional Representation in Benin requested a 'pre-audit' of activities by the Senior Regional Finance Officer. OIOS noted that most of the recommendations made had been implemented.

3. In early 2005, following social tensions relating to the political succession in Togo, a massive exodus of refugees totalling 40,000 persons took place of which 15,000 were hosted in Ghana, while 25,000 fled to Benin. In Ghana, the Togolese refugees were spread over a vast geographical area in over 200 locations, making it a challenge for UNHCR to provide adequate protection. Assistance was provided in the form of food and non-food items in cooperation with WFP and NGOs.

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 29 November 2005. A summary of preliminary findings and recommendations was shared with the Representative in December 2005 on which comments were received in January 2006. In addition, a draft of the report was shared with the Director of the Bureau for Africa and the Representative in March 2006. The comments, which were received in May 2006, are reflected in the final report.

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 the 2005 Emergency project 05/AB/WAF/EM/100 with expenditure of US\$ 341,000 concentrating on the activities directly implemented by UNHCR with expenditure of US\$ 202,000. We also reviewed activities implemented by National Catholic Secretariat (NCS) - expenditure of US\$ 46,000.

7. The audit reviewed the administration of the Representation at Accra under the Emergency administrative budget totalling US\$ 270,000 for the year 2005, and assets with an acquisition cost of US\$ 1.8 million and a current value of US\$ 555,000.

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 NCS

9. For NCS, reasonable assurance could be taken that UNHCR funds were properly accounted for and disbursed in accordance with the Sub-Project Agreements.

10. NCS needed to improve in the area of internal controls. The Project Coordinator was responsible for preparing the financial reports, authorizing and approving expenditure and making cash disbursements. Similarly, the manual accounting system needed to be enhanced. Although the expenditure was analysed according to the UNHCR budget structure, accounting ledgers were not used. Also the filing system was deficient, which rendered the retrieval of supporting documents cumbersome. *The Representation has requested NCS to establish appropriate internal control mechanisms and set up a proper filing system. The Representation also indicated that a follow-up verification would be undertaken in coming months to ensure corrective actions have been taken.*

B. Other Programme Issues

11. OIOS assessed that the emergency response provided by the office was generally satisfactory, with a number of emergency experts deployed from Headquarters and from the region to deal with the situation. The Representation experienced, however, a number of shortcomings due to funding constraints and the lack of expertise by implementing partners. For example, from an approved administrative budget of US\$ 571,000 (in May 2005) only US\$ 270,000 had been released by the end of the year. Also, due the haphazard nature of funding and the unpredictable nature of the emergency it has been difficult to attract staff of the right calibre to the field.

12. Other difficulties experienced by the Representation in Accra and its Field Office in Ho, included the lack of adequate office and communication equipment. For example the Land Cruisers procured in June 2005 were still not equipped with Codan radios by the end of the year. Also there was a lack of basic security equipment and devices at the Field Office in Ho. *The Representation stated that vehicles still do not have communication equipment due to the lack of funds.*

C. Supply Management

(a) Procurement

13. For 2004 and 2005, procurement totalled some US\$ 1.4 million. OIOS assessed that UNHCR rules and procurement procedures had not always been adhered to. The Representation issued contracts/purchase orders to procure locally four vehicles prior to obtaining approval from the Headquarters Committee on Contracts (HCC). Though SMS cleared the local procurement, with contractual documents signed prior to HCC approval, it was on the condition that the vehicles would be delivered within two weeks, and no advance payment should be made. Contrary to this, the vehicles were not delivered until 30 days later and despite the advice of SMS, the Representation had made payment in advance. In addition the colour of the vehicles delivered was different from UNHCR standard colour specifications of white or light blue.

14. OIOS recommended that the Representation comply with UNHCR procurement procedures and that approval be sought from the LCC or HCC when their respective procurement thresholds so require and prior to committing UNHCR funds. *The Representation explained that the purchase orders were issued ahead of the approval of the HCC because the Toyota Land Cruisers were fast moving commodities in Ghana. The supplier would not have kept the vehicles without a firm commitment.*

15. *The Representation further pointed out that it made a great deal of effort during the emergency to ensure adherence to the rules and regulations, but that circumstances made it practically impossible to follow them to the letter.*

D. Security and Safety

16. Security at the Field Office in Ho needed improvement. A recent security mission by the Assistant Field Security Advisor and the Administrative Officer revealed a number of weaknesses. While no Minimum Operational Security Standards (MOSS) had yet been established for the Field Office, OIOS assessed that, on the basis of the MOSS requirements for Accra, there was a need to implement minimal security measures. This would include a perimeter fence, installation of fire extinguishers, metal detectors and electric generators. *Since the audit, the Representation indicated that it has undertaken security measures, which made its Field Office, Ho to be rated MOSS compliant from the previous 30 per cent to 70 per cent, and that some additional upgrades were required to make it fully compliant. The Representation also said that it would not be able to carry out the required upgrades unless additional funding was provided.*

E. Administration

17. In the areas of administration and finance, the UNHCR Representation in Ghana generally complied with UNHCR's regulations, rules, policies and procedures and controls were operating effectively during the period under review. There was, however, a need to strengthen certain areas.

(a) Budgetary overrun

18. The Representation had exceeded its 2005 budget by US\$ 45,489 and its spending authority by US\$ 76,270. According to UNHCR Manual Chapter 6.3.2 'the total budget amount and the obligation level cannot be exceeded. Increased expenditure against a specific budget chapter necessitates reduced expenditure under another chapter'. OIOS noted, however, that the Representation exceeded its procurement of NEP by 34 per cent and Temporary Assistance by 19 per cent.

19. *The Representation explained that budgetary overruns were caused by payments made by Headquarters on behalf of the Representation, which was not taken into account in the system by notional vouchers. This information was not forwarded to the Representation despite a request to Headquarters. OIOS could not be provided with information to support this request. Despite this, OIOS would highlight that it was the responsibility of the Representation to adequately follow up with Headquarters to obtain complete data and hence ensure full control over its annual budget and expenditure.*

20. *The Representation stressed the fact that it maintained adequate budgetary controls, and the only reason for the perceived budgetary overruns was the time lag for information sharing from Headquarters. They firmly believed that it was up to Headquarters to keep the Field informed of the expenditure records. They reiterated that the information for expenses recorded by Headquarters was not provided in a timely manner, and sometimes lacked clarity. Also, given that the ABCS produced locally by the FMIS/FOAS did not evidence any over-expenditure. The Representation also explained that it could only be held responsible for the appropriate monitoring of expenses over which it has full control. OIOS agrees that for expenditure incurred at Headquarters on behalf of field offices, appropriate communication mechanism should be in place to timely inform them of such expenditure. OIOS expects that after the roll-out of MRSP to field offices, such problems should not arise. In the meantime, however, it is important that field offices are timely informed of expenditure initiated and incurred on their behalf.*

(b) Wrong coding of expenditure

21. The expenditure was not always correctly coded to the relevant budget chapter. OIOS found that fuel costs had been charged in various instances to travel. *The Representation indicated that it has taken action to reverse the errors in the December 2005 accounts.*

V. ACKNOWLEDGEMENT

22. I wish to express my appreciation for the assistance and cooperation extended to the auditors by the staff of UNHCR and its implementing partners in Ghana.

Eleanor Burns, Acting Chief
UNHCR Audit Service
Office of Internal Oversight Services