



OIOS

Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

AUDIT REPORT

UNHCR Operations in the Democratic Republic of the Congo

20 May 2008

Assignment No. AR2007/110/02

United Nations  Nations Unies

INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

INTERNAL AUDIT DIVISION · DIVISION DE L'AUDIT INTERNE

OFFICE OF INTERNAL OVERSIGHT SERVICES · BUREAU DES SERVICES DE CONTRÔLE INTERNE

TO: Mr. António Guterres, High Commissioner
A: Office of the United Nations High Commissioner for
Refugees

DATE: 20 May 2008

REFERENCE: IAD: 08- 01327

FROM: Dagfinn Knutsen, Director
DE: Internal Audit Division, OIOS

SUBJECT: Assignment No. AR2007/110/02 – Audit of UNHCR Operations in the Democratic Republic of
OBJET: the Congo

1. I am pleased to present the report on the above-mentioned audit.
2. Based on your comments, we are pleased to inform you that we will close recommendations 1, 2, 3, 4, 6, 7, 9, 11, 14, 19 and 25 in the OIOS recommendations database as indicated in Annex 1. In order for us to close the remaining recommendations, we request that you provide us with the additional information as discussed in the text of the report and also summarized in Annex 1.
3. Your response indicated that you did not accept recommendation 21. In OIOS' opinion however, this recommendation seek to address significant risk areas. We are therefore reiterating it and request that you reconsider your initial response based on the additional information provided in the report.
4. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as critical (i.e., recommendation 10), in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. L. Craig Johnstone, Deputy High Commissioner, UNHCR
Ms. Judy Cheng-Hopkins, Assistant High Commissioner, UNHCR
Mr. Colin Mitchell, Controller and Director, DFAM, UNHCR
Ms. Maha Odeima, Audit Coordinator, UNHCR
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Ms. Maria Gomez Troncoso, Officer-in-Charge, Joint Inspection Unit Secretariat
Mr. Jonathan Childerley, Chief, Oversight Support Unit, Department of Management
Mr. Byung-Kun Min, Programme Officer, OIOS
Mr. Anders Hjerstrand, Chief, Geneva Audit Service, IAD, OIOS

INTERNAL AUDIT DIVISION

FUNCTION

“The Office shall, in accordance with the relevant provisions of the Financial Regulations and Rules of the United Nations examine, review and appraise the use of financial resources of the United Nations in order to guarantee the implementation of programmes and legislative mandates, ascertain compliance of programme managers with the financial and administrative regulations and rules, as well as with the approved recommendations of external oversight bodies, undertake management audits, reviews and surveys to improve the structure of the Organization and its responsiveness to the requirements of programmes and legislative mandates, and monitor the effectiveness of the systems of internal control of the Organization” (General Assembly Resolution 48/218 B).

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EXECUTIVE SUMMARY

UNHCR Operations in the Democratic Republic of the Congo

OIOS conducted an audit of the United Nations High Commissioner for Refugees (UNHCR) Operations in the Democratic Republic of the Congo (DRC). The audit was carried out by a Resident Auditor based in Kinshasa. The overall objective of the audit was to assess the adequacy and effectiveness of internal controls in programme management, supply management, security and safety, and administration and finance. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

The operation's system of internal control was assessed as below average. The weaknesses identified, taken together or individually, significantly impaired the overall system of internal control. Prompt corrective action is required by management to significantly improve the application of key controls.

Human resources issues remained a challenge in the DRC. UNHCR could not find suitable candidates for 65 of the 250 posts authorized. Key positions, including for the reintegration function on which UNHCR spent over \$15 million in 2006, either remained vacant or were filled by stand-by agreement deployees or by UN volunteers.

In 2006, UNHCR's core activities expanded to the protection and assistance to about one million internally displaced persons (IDPs). However, this substantial increase in operational responsibility was not matched with an adequate increase in the allocation of financial and human resources. Less than ten per cent of the staffing resources were related to the IDP operations.

With most of the UNHCR operations under security phases three or four, field travel was problematic. Due to logistics constraints, field missions to other parts of the DRC had often to be undertaken via neighbouring countries, which limited programme monitoring. The unstable security situation in 2006 also had a negative impact on the programme delivery as UNHCR's staff members with children holding key positions in Programme, Protection and Administration were evacuated and were not allowed to return for several months.

In terms of programme management, financial verifications of sub-projects carried out by the Representation were not fully effective. Programme monitoring and reporting needs to be improved to ensure that sub-project objectives are achieved and partnership agreements are complied with.

Serious internal control deficiencies were noted in the payment of repatriation grants to Angolan refugees. OIOS estimated that overpayments of about \$40,000 were made and, in view of the nature of the irregularities observed, submitted the case to the Inspector General's Office for further investigation.

The Representation lacked the necessary information, particularly on the handling of relief items, to adequately and timely report to the donors. This could affect the funding level of future operations.

A review of the implementing partners' activities revealed certain deficiencies that need to be addressed. Services for UNHCR fleet repairs and maintenance provided by an international partner were unsatisfactory. This partner also could not explain a discrepancy of \$108,000 between the records of spare parts and the corresponding project expenditures.

The control environment of another partner was deficient. OIOS found that the Country Director was performing several incompatible functions including the preparation and approval of salary payments and cashing salary cheques on behalf of staff members.

Deficiencies were also noted in the provision of assistance to urban refugees by two national partners. There was also no assurance that the \$332,000 paid in incentives and subsistence allowances by a government partner were paid to the staff members who worked on UNHCR projects.

The management of the Micro Credit programme, implemented by an international non-government organization (NGO), was deficient: in 2007, the management costs of this activity considerably exceeded the total amount budgeted for assistance to the beneficiaries.

In 2006 and 2007, UNHCR paid over \$250,000 in taxes on fuel procured for its operations in the eastern provinces. Immediate measures need to be taken to recover this from the Government because UNHCR management did not request value-added tax (VAT) exemption for fuel procured in Eastern Provinces of the Democratic Republic of the Congo.

Furthermore, the Representation could not provide the current and updated status on the \$4 million worth of relief items procured by UNHCR Headquarters and shipped for storage to Tanzania, due to ineffective tracking mechanisms.

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I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the United Nations High Commissioner for Refugees (UNHCR) Operations in the Democratic Republic of the Congo (DRC). The audit was carried out by a Resident Auditor based in Kinshasa. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. The major operations of UNHCR in the DRC included repatriation and reintegration of Congolese refugees from the Republic of Congo, Tanzania, Sudan and Burundi and Zambia. UNHCR also assisted in the repatriation of 14,000 refugees (mostly Sudanese, Rwandese and Angolans) to their countries of origin.

3. With the decision by the Inter-Agency Standing Committee to implement the cluster approach in the DRC, UNHCR assisted over 1 million internally displaced persons (IDPs), the majority of them self-settled and living with host families rather than in organized camps. UNHCR assumed joint leadership of the Protection Cluster with Mission de l'Organisation des Nations Unies en République Démocratique du Congo (MONUC) and the Early Recovery Cluster with the United Nations Development Programme (UNDP). The objective of the Protection Cluster was to protect the IDPs and the affected population against violence and exploitation while the Early Recovery Cluster aimed to promote and facilitate durable solutions for IDPs' return and reintegration.

4. Most of UNHCR programme activities were implemented under security Phases 3 and 4, which made the programme delivery further complex. Although an elected Government was in place at the end of 2006, political uncertainties throughout the major part of 2006 had an adverse impact on the refugee return programme.

5. The total operational expenditure in 2006 was \$16 million for the repatriation and reintegration programme and \$7 million for the assistance to the IDPs. The Representation was working with 30 implementing partners in eight locations. At the time of the audit, the number of staff working for the UNHCR Operations in the DRC was 247.

6. Comments made by UNHCR are shown in *italics*.

II. AUDIT OBJECTIVES

7. The major objectives of the audit was to assess the adequacy and effectiveness of internal controls to ensure:

- (a) Reliability and integrity of financial and operational information;
 - (b) Effectiveness and efficiency of arrangements for programme management including monitoring of implementing partners;
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- (c) Safeguarding of resources;
 - (d) Compliance with regulations and rules, Letters of Instruction and Sub-Project Agreements; and
 - (e) Adequacy of safety and security management practices and arrangements.

III. AUDIT SCOPE AND METHODOLOGY

8. The audit reviewed 2006 programme activities under the projects 06/SB/COD/CM/238, 06/AB/COD/CM/200, 06/AB/COD/RP/300, 06/SB/COD/RP/333, 06/SB/COD/RP/334 and 06/AB/COD/RP/380 with a combined budget and expenditure of \$20 million. The audit covered the activities implemented by Atlas Logistique/Handicap International (ATLAS), Africa Humanitarian Action (AHA), Actions et Interventions pour le Développement et l'Encadrement Social (AIDES), Encadrement des réfugiés urbains de Kinshasa (ERUKIN), Commission Nationale Pour Les Réfugiés (CNR), and Agence d'Aide à la Coopération Technique Et au Développement (ACTED). There was a limited coverage of certain activities related to 2005 and 2007 as necessary.

9. The audit methodology comprised: (a) review of policies and procedures, administrative guidelines, data available from the Management System Renewal Project (MSRP), UNHCR's legacy systems; (b) interviews with responsible personnel; (c) analysis of applicable data; (d) physical verification and assessment of the effectiveness of controls; and (e) observations and verification of processes, as appropriate.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. General programme management

Staffing situation

10. The constant shortage of staff was one of the main constraints for the implementation of the UNHCR programme in DRC. Filling vacant positions was particularly challenging. In September 2007, out of the 247 positions, 28 remained vacant and another 37 positions were filled by temporarily appointed local staff members, such as stand-by agreement deployees or by UN volunteers. For example, OIOS noted that though \$12 million was spent on the repatriation and reintegration operations in 2006, there was no Reintegration Officer before August 2007 when the Senior Reintegration Officer post was filled up by a staff member of Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) seconded to UNHCR for a few months. Discussions with the Representation indicated that the compensation offered for positions in the DRC was not

adequate. According to the Bureau, the problems in filling the vacant posts were more related to the source of funding: posts funded by Supplementary Programme Budget cannot be filled for more than one year, which does not help to attract experienced staff.

11. With the establishment of the cluster approach in 2006, UNHCR's activities expanded to the protection and assistance of IDPs living with host communities from its core area of protection and assistance to refugees, asylum seekers and returnees. Although the cluster lead has the responsibility of ensuring adequate coverage of IDP needs (including in the areas where it is not operational), this increased responsibility was not supported by the allocation of financial and staffing resources. As of mid-September 2007, only 23 staff members (less than ten per cent of the total staffing resources and including support staff like drivers) working in Bunia, Bukavu, Goma and Lubumbashi were working on IDP operations according to the staffing table.

12. The evacuation of some staff members living in Kinshasa with their children due to the security situation in 2006 further dented the fragile staffing situation in the country and had a negative impact on the programme delivery and management capacity of UNHCR.

Recommendation 1

(1) The UNHCR Africa Bureau should discuss with the Division of Human Resources Management ways of finding a sustainable solution to the staffing situation in the UNHCR programme in the Democratic Republic of the Congo.

13. *The UNHCR Africa Bureau accepted recommendation 1 and stated that it had conducted a full review of operations in the DRC and proposed a revised structure and staffing to more adequately address operational requirements. This has led to the approval of the creation of 38 additional posts and the upgrade of several posts and offices. To ensure that posts are filled as fast as possible, the new posts as well as current vacant posts will be advertised through fast-track procedures. This action and statements by the High Commissioner that the DRC operation is one of the priority operations should entice more staff members to apply for these positions than in the past.* Based on the response, recommendation 1 has been closed.

Number of implementing partners

14. In the DRC, UNHCR implements 12 projects representing about 45 sub-projects implemented by about 30 non-government organizations (NGOs). Considering the number of partners, OIOS estimated that over three months were spent on establishing the agreements and budgets, without taking into account the necessary budget revisions. In order to reduce the workload and to improve the efficiency of operations, the Representation needs to consider reducing the number of NGOs. Any consolidation of activities would also result in a reduction of administrative costs for UNHCR. The Programme Unit informed

OIOS that a revision of the current practice is currently on going. The partners' expertise per sector of activities will be taken into consideration to rationalize the process.

Recommendation 2

(2) The UNHCR Representation in the Democratic Republic of the Congo should reduce the number of NGOs for the 2008 programme taking into account factors such as the implementing partners' performance, their contributions to the programme and their expertise in the areas or sectors of operations.

15. *The UNHCR Representation accepted recommendation 2 and stated that the DRC signed sub-agreements with a total of 21 NGOs in 2008 compared to 34 in 2007. An internal UNHCR multi-functional committee has been established to select implementing partners which reviews capacities of NGOs considered for partnership and their previous performance. Based on the response, recommendation 2 has been closed.*

Approval of Sub-Project Monitoring Reports

16. The final Sub-Project Monitoring Reports (SPMRs) from the implementing partners for 2006 were yet to be approved by the Representation. This indicated that, contrary to the established UNHCR programme procedures, the final SPMRs had been submitted to the external auditors for audit without being accepted or approved by the Representation. This unapproved data was also uploaded in the MSRP system to record the expenditures of NGOs. The Representation explained that there were delays in the submission of SPMRs by the partners as some were not available until April or May 2007. Furthermore, all the SPMRs were not subject to project control mechanisms due particularly to staffing limitations.

Recommendation 3

(3) The UNHCR Representation in the Democratic Republic of the Congo should ensure that all the Sub-Project Monitoring Reports for 2006 projects are accepted and approved by the Representative. In the future, all Sub-Project Monitoring Reports should be approved in a timely manner, and before being submitted to the external auditor.

17. *The UNHCR Representation accepted recommendation 3 and explained that they were compiling all supporting documents for acceptance and approval of the Representative by end March 2008. Based on the response, recommendation 3 has been closed.*

Closure of projects

18. A significant number of actions should be taken to close the 2006 projects. As of October 2007, unspent funds from 2006 sub-projects amounting to over \$1 million remained due by the partners. The Programme Section explained that the cheques from several partners amounting to about \$110,000 had been received and deposited in UNHCR's bank account but had not been immediately recorded in MSRP. OIOS' review also noted several errors in the recorded data that rendered the establishment of the correct value problematic. For instance, the instalments paid to some implementing partners exceeded the budget by \$400,000. Instalments totalling \$227,000 for a sub-project implemented by AIDES were recorded under Caritas Congo. Similarly, payments of \$366,000 to Oxfam Quebec were recorded as instalments to ATLAS.

19. About \$24,000 of unspent balances from 2005 projects had not yet been recovered. The amount included: \$20,000 due from ATLAS (05/COD/RP/333), \$1,800 from Memisa Medicus (05/COD/RP/334) and \$2,000 from Oxfam Quebec (05/COD/LS/402). The Programme Section explained that for 2006 and earlier, they had no means of verifying or comparing the data recorded locally by using the Financial Management Information System (FMIS) with the MSRP records as they had no access to the latter. There was no evidence that these discrepancies were identified by UNHCR Headquarters and communicated to the Programme Section in Kinshasa.

Recommendation 4

(4) The UNHCR Representation in the Democratic Republic of the Congo should ensure that all the discrepancies between the Management System Renewal Project (MSRP) and Financial Management Information System (FMIS) as well as the data entry errors in MSRP are rectified to reflect the correct budget and expenditure reported by various implementing partners for 2006 sub-projects.

20. *The UNHCR Representation accepted recommendation 4 and stated that about 80 per cent of discrepancies have been corrected and the balance will be done in the coming days. Based on the response, recommendation 4 has been closed.*

Recommendation 5

(5) The UNHCR Representation in the Democratic Republic of the Congo should ensure that refunds received from the implementing partners are recorded without further delay and that immediate action is taken to recover the unspent funds for 2005 projects amounting to \$24,000.

21. *The UNHCR Representation accepted recommendation 5 and has taken note of it. Recommendation 5 remains open pending receipt of confirmation that unspent funds for 2005 have been recovered.*

Financial monitoring of the implementing partners

22. Financial monitoring of sub-projects implemented by partners remained a weak area in 2006 and 2007. A Project Control Assistant was responsible for the financial reviews of the thirty implementing partners for 2006 spread over the entire DRC. The sheer volume of work for a single national support staff member was daunting. To fill the gaps in financial monitoring, support staff based in the field offices generally carried out some basic project control measures before releasing further instalments. This project control comprised of a review of the financial records of the implementing partners and focused on significant expenditure lines in the SPMRs. However, such exercises lacked the quality and depth necessary to obtain assurance that expenditures were incurred for intended purposes. Neither were they sufficient enough to identify major operational deficiencies or internal control weaknesses. The Representation did not use the expertise available in other functions (such as Finance Officers) to offset or address the deficiencies in the monitoring of projects.

23. To strengthen the project control function, the Representation established a new position at the P-3 level for 2007 and discontinued the Project Control Assistant's position. However, the newly created Project Control Officer's position is still vacant and the financial monitoring of the implementing partners continues to be seriously deficient. OIOS advised that the Project Control Assistant's position be reinstated, which has been approved as of January 2008.

24. With the absence of a proper logistics infrastructure (given a UN imposed ban on the use of local airlines and the lack of priority given to UNHCR for the aircraft operated by MONUC), staff going on field missions from Kinshasa to other parts of the DRC were often forced to travel via neighbouring countries making travel expensive and time consuming. Given that these operations (like the repatriation in South Kivu and the IDP assistance in Bukavu and Goma) are likely to continue into the near future, proper steps are needed to ensure the sound financial monitoring of UNHCR programmes in these areas. To offset the capacity limitations, as an interim measure, the Representation needs to explore the possibility of getting assistance from the Regional Hub in Kenya.

Recommendation 6

(6) The UNHCR Representation in the Democratic Republic of the Congo should improve financial monitoring of sub-projects, both in terms of quality and depth, and seek solutions to ensure financial monitoring visits to the field are made more regularly.

25. *The UNHCR Representation accepted recommendation 6 and explained a number of steps put in place to strengthen financial monitoring like additional*

training for all programme and finance personnel in this area and field visits. OIOS also noted that the Project Control Officer arrived in November 2007. Based on the response, recommendation 6 has been closed.

Implementing Partner audit certification

26. All audit certificates required for 2005 and 2006 have been received together with management letters. However, the external auditor did not systematically report on the compliance with UNHCR policies and procedures over cash management, procurement and management of commodities such as non-food items, spare parts, fuel and medicines, and the obligation for the partners to disclose the details of currency exchanges. In addition, in view of the adoption of the International Public Sector Accounting Standards (IPSAS) by 2010, more needs to be done to ensure that UNHCR, through its partners, will comply with the new requirements concerning the management of assets and commodities on stock.

27. OIOS also considers that, with regard to the expenditures (audit fees amounted to approximately \$90,000), the Representation did not effectively use the output of the audit certification process. The audit reports were obtained to comply with the requirement and not for management control purposes. More consideration needs to be given to ensure the follow up and implementation of the recommendations made by the external auditor.

Recommendation 7

(7) The UNHCR Representation in the Democratic Republic of the Congo should ensure that the issues of currency exchange, transfer of cash to the field locations, and the management and reporting over the commodities on stock are properly addressed by the external auditor. A follow up on the external auditor's recommendations should also be done.

28. *The UNHCR Representation accepted recommendation 7 and stated that the external auditors currently auditing 2007 sub-projects have been requested to report on these issues. Furthermore, the services of the new Project Control Officer will be used to follow-up on the recommendations made by the external auditors.* Based on the response, recommendation 7 has been closed.

Reporting on programme implementation

29. Reports submitted by the partners to the Representation and by the Representation to UNHCR Headquarters did not provide timely and quality information for decision making. The quality of the narrative SPMRs submitted by the partners needed improvement. They did not always accurately report the distribution of the non-food items, justify delays in implementation nor clearly outline whether the objectives of the project had been achieved, which is necessary to assess the overall impact of the sub-projects. For example, GTZ disclosed the quantities of non-food items distributed and the balance on hand

without reporting on the opening stock and the quantities received. ERUKIN paid over \$50,000 for the school fees of refugee children without giving information on the success and drop-out rates.

30. The Situation Reports (SitReps) are used to report to Headquarters on monthly activities, provide information on the progress of meeting goals and specify reasons for delays in meeting objectives. The Representation was generally late in submitting its SitReps as the field offices did not always respect the deadlines. Furthermore, the field offices were neither regular nor consistent in providing useful information on the distribution of non-food items, activities of implementing partners, problems or progress in programme delivery or information on administration, staffing and finance. These shortcomings adversely affected the useful content of the SitReps prepared by the Representation.

Recommendation 8

(8) The UNHCR Representation in the Democratic Republic of the Congo should improve programme reporting, both in terms of the accuracy and timeliness of reporting, by partners to the Representation, as well as by the Representation to UNHCR Headquarters.

31. *The UNHCR Representation accepted recommendation 8 and stated that the narrative reports from the partners will be analyzed by the Heads of Offices/Sections and feedback in writing will be provided to the partners. Appropriate communication in this regard was sent in January 2008. Recommendation 8 remains open pending receipt of documentation showing that it has been fully implemented.*

Contributions from partners

32. In 2006 the UNHCR contribution to NGO overhead costs amounted to \$150,000 for five partners. The corresponding budget for 2007 has increased to \$798,000 for twenty-three partners. To be eligible for a contribution to international NGO's Headquarters support costs, the partner (with the exception of GTZ) must make a significant and quantifiable contribution with its own resources to the individual project or country/regional operation. At the time of the audit, the Programme Section did not have information on the financial value of the contributions or inputs made by the implementing partners. Unless such contributions are reported to UNHCR and properly documented, the overhead costs charged by the partners should be disallowed.

Recommendation 9

(9) The UNHCR Representation in the Democratic Republic of the Congo should request every partner receiving a contribution for its Headquarters overhead to report on its actual contribution to the programme. Proper mechanisms to obtain details of the implementing

partners' contributions to the UNHCR programme need to be established.

33. *The UNHCR Representation accepted recommendation 9 and stated that it had been implemented. No agreement with the partners was signed for 2008 without obtaining this information in writing.* Based on the response, recommendation 9 has been closed.

Donor reporting

34. Incorrect, unsubstantiated expenditures and/or delayed reporting to donors were identified by OIOS as a high risk area that could have an adverse effect on future funding levels. UNHCR received €4 million (out of a €5 million contribution) from ECHO for the 2006 reintegration assistance programme. The final narrative and financial reports due on 31 March 2007 were submitted several weeks later after multiple extensions. The Donor Relation/Resource Mobilization Unit (DRRM) identified gaps in the reported details on the procurement, distribution and use of relief items and equipment and cautioned the Representation to be prepared to provide these missing details to ECHO. OIOS' audit confirmed that the Representation lacked the necessary information on the handling of relief items.

Recommendation 10

(10) The UNHCR Representation in the Democratic Republic of the Congo should significantly strengthen their ability to collect and provide fair financial and narrative reports to the donors on the funds received within the deadlines specified in the contribution agreements.

35. *The UNHCR Representation accepted recommendation 10 and stated that a new position for donor submissions and reporting has been requested and a staff member will be on board in a few weeks time.* Recommendation 10 remains open pending confirmation by UNHCR that the staff member for donor reporting has assumed her/his functions.

Cash grants to Angolan returnees

36. OIOS noted that the Representation paid travel grants to the Angolan returnees who were repatriated by air to Angola from Kinshasa between December 2006 and March 2007. About 6,000 returnees, going back to rural areas in Angola, were to be paid a travel grant of \$50 per person. Due to significant deficiencies in controls and the process, OIOS was unable to take assurance that an amount of \$293,600 was paid to the targeted beneficiaries.

37. There was no clear segregation of duties. Two assistants were responsible for the preparation of the initial manifests, subsequent modifications and the payments to the returnees including witnessing the signing of the receipts by the beneficiaries. OIOS' review of the documentation supporting these

payments revealed that these documents were submitted to the Finance Unit several weeks after the final payment. Some of the receipts had been modified to insert new names without the Senior Repatriation Officer's approval.

38. At no point during the process was there evidence of any written instructions given, guidance provided or adequate supervisory review by senior staff. There were no clear procedures and financial controls established by the managers such as a preliminary list approved by the Senior Repatriation Officer. OIOS could not obtain any overall reconciliation providing details of the number of people paid, as well as the number of people not eligible for payment with the number of people who travelled. There was no evidence that these cash disbursements were subject to other controls. There was no comparison of the estimated cash payments with those actually paid each day or of the number of people paid with the total departed passengers. In view of the deficiencies revealed by the review of the supporting documents OIOS estimated overpayments of about \$40,000 and reported the case to UNHCR Inspector General for further investigation.

Recommendation 11

(11) The UNHCR Division of Financial Administration should take the necessary measures to strengthen the internal controls on distribution of cash to beneficiaries.

39. *The UNHCR Representation accepted recommendation 11 and stated that clear procedures, segregation of duties and financial controls for cash payments are now in place. A finance clerk and the finance officer are now controlling payments made to ensure that procedures have been followed, there are no overpayments, lists have not been modified, and payments are recorded immediately in the system.* Based on the response, recommendation 11 has been closed.

B. Implementing partners

40. For four of the six partners reviewed, reasonable assurance could not be obtained that UNHCR funds were properly accounted for and disbursed in accordance with the Sub-Project Agreements.

41. Audit certificates were available for all partners (with the exception of government partners) with concerns expressed over budgetary overruns, poor accounting records, weak procurement systems and improper filing systems.

42. In the absence of an adequate banking infrastructure, UNHCR's partners relied on private traders to transfer funds to their operational centres. A substantial part of the partners' programme expenditures were made in cash as vendors refused to accept payment through banks. Significant amounts were retained for weeks in the residences of senior staff as there was no other way of storing the cash securely. Furthermore, a large number of transactions were made in currencies other than US dollars (the budget currency) and the results of currency exchanges were not transparent. The procurement procedures followed

by the partners were generally deficient as there was no evidence of competitive bidding in a number of cases. In remote areas where availability of materials was a problem, the partners did not document the procedures followed. During the Resident Auditor's tenure, OIOS provided advice to UNHCR and its implementing partners on addressing these problems. Corrective actions are currently being taken.

Atlas Logistique / Handicap International (ATLAS)

43. ATLAS, an international NGO, was in charge of managing vehicle workshop and logistics support to UNHCR activities in Kinshasa and South Kivu. Its budget and expenditures for 2006 amounted to \$2.6 million and \$2 million respectively. OIOS assessed that the internal controls of ATLAS needed significant improvements mainly because the expenditures reported in SPMR did not match the entries in the inventory records. Consequently, this resulted in a variance of \$108,000 (\$87,000 in Kinshasa and \$21,000 in Uvira) between the financial (procurement) and inventory records (opening and closing stock valuation and consumption). ATLAS left Kinshasa and handed over the workshop to Oxfam-Quebec without reconciling this discrepancy. OIOS also noted that there were no details of the obsolete spare parts or the ageing of the inventory, either with the Representation or with Atlas. OIOS considers that the Representation did not take the necessary measures to properly monitor activities implemented by ATLAS and by other partners involved in the management of workshops.

Recommendation 12

(12) The UNHCR Representation in the Democratic Republic of the Congo should ensure that all the implementing partners involved in workshop activities and/or running garages, provide a reconciliation of the opening and closing inventories of spare parts, spare parts procured and reported in the financial report Sub-project Monitoring Report (SPMR), spare parts procured and handed over by UNHCR and the value of spare parts consumed.

44. *The UNHCR Representation accepted recommendation 12 and has taken note of it. Pending receipt of evidence on implementation, recommendation 12 remains open.*

Africa Humanitarian Action (AHA)

45. AHA, an international NGO, was responsible for the construction and rehabilitation of medical infrastructure as well as medical assistance to returnees. Its budget and expenditures amounted to \$700,000. OIOS assessed that the control environment was seriously flawed as evidenced mainly by the inadequate delegation of authority and poor human resources management. The quality of the financial, accounting and other records was also deficient. As a result,

reasonable assurance could not be obtained that UNHCR funds were properly managed and controlled.

46. OIOS noted that cash withdrawn for the 2006 project implementation was over \$620,000 and although more than 60 per cent was sent to the field, there was no adequate system to monitor these advances. The Kinshasa office did not even record these remittances by each field office. Neither were copies of the cashbooks from the field offices available in Kinshasa. In addition, vouchers were not prepared in the field offices and there was no evidence that AHA managers had established compensating financial or other controls and procedures.

47. In Kinshasa, most of the tasks were carried out by the Country Director: he prepared and approved the salary payment vouchers and received the amount on behalf of the staff members (without evidence that the staff members received the same amount); he provided supporting documents for the disbursements to the Finance and Administration Coordinator for accounting purposes, who did not have comprehensive financial information on AHA at the country level.

Recommendation 13

(13) The UNHCR Representation in the Democratic Republic of the Congo should ensure that Africa Humanitarian Action improves its accounting and internal control systems including the adequate segregation of duties.

48. *The UNHCR Representation accepted recommendation 13 and stated that the partner has started using accounting software. Furthermore, its Finance Officer was encouraged by the Representation to undertake field missions to strengthen internal controls.* Recommendation 13 remains open pending receipt of documentation showing that the internal controls at AHA have been significantly strengthened.

49. One of UNHCR's vehicles used by AHA was confiscated by the police on a court order. AHA terminated a staff member's contract for alleged misappropriation of project funds. The aggrieved staff member wanted AHA to pay compensation and challenged his dismissal in a local court. With the help of the local authorities, the former staff member seized a UNHCR vehicle (handed over to AHA on a Right of Use Agreement). UNHCR informed OIOS that efforts to recover the vehicle have not yielded positive results. OIOS considers that UNHCR should take up this issue with the Ministries concerned in Kinshasa and seek the release of the UNHCR vehicle seized by a local court.

Recommendation 14

(14) The UNHCR Representation in the Democratic Republic of the Congo should pursue and seek the assistance and cooperation of the Ministries concerned (such as those of Interior and External Affairs) in

Kinshasa to obtain the return of the UNHCR vehicle in the possession of a former staff member of Africa Humanitarian Action.

50. *The UNHCR Representation accepted recommendation 14 and explained that the vehicle was returned in the beginning of August 2007. Based on the response, recommendation 14 has been closed.*

Actions et Interventions pour le Développement et l'Encadrement Social (AIDES) and Encadrement des réfugiés urbains de Kinshasa (ERUKIN) – assistance to urban cases

51. AIDES, a national NGO, implemented projects related to the repatriation and reintegration of Congolese refugees and assistance to urban refugees in Katanga. The budget and expenditures, amounting to \$1.2 million, consisted mainly of the procurement and distribution of education material and providing subsistence allowances to urban refugees. The documentation to substantiate the procurement was of poor quality while the receiving and distribution details of the education materials (valued over \$100,000) were not readily available.

52. AIDES, who spent about \$91,000 towards subsistence of urban refugees in Lubumbashi, did not maintain complete records of payments indicating the beneficiary name, case number, the amount paid for subsistence, education and medical needs. These payments were largely substantiated with a number of incoherent handwritten documents. There was also no evidence of appropriate financial controls prior to the payments: that the amount of assistance had been approved by a competent person such as social worker for a genuine beneficiary or that the rate had been determined with reference to the UNHCR/AIDES scale for individual assistance. Furthermore, there was no clear information on the nationality of the individuals assisted nor was the history of payments available or confirmation that the beneficiaries were listed as cases of concern in UNHCR's protection database.

53. ERUKIN, a national NGO, was responsible for the provision of allowances for subsistence, health and education to urban refugees living in Kinshasa for a total amount of \$400,000. OIOS observed poor controls, weaknesses in the process and a lack of tracking mechanisms in the assistance paid to the individual refugees. OIOS could not verify that payments were made to genuine beneficiaries (some of the attestations on refugee status given by UNHCR were from as far back as 1978, 1987 and 1996) as 42 per cent of assistance was paid to beneficiaries whose status was unclear. Also there was no history of the past payments by beneficiary. Thus, it was not possible to establish a trend in payments or any missing monthly payments for each beneficiary or relate the payments to their file. There was no assurance that the assisted cases could be matched with the UNHCR's protection database.

Recommendation 15

(15) The UNHCR Representation in the Democratic Republic of Congo should request Actions et Interventions

pour le Développement et l'Encadrement Social and Encadrement des réfugiés urbains de Kinshasa to strengthen their internal control mechanisms to ensure appropriate financial controls prior to the payments, proper documentation of transactions and a proper tracking system.

54. *The UNHCR Representation accepted recommendation 15 and stated that follow-ups will be done in 2008. A new database application also will be installed to improve recording of assistance payments.* Recommendation 15 remains open pending receipt of confirmation that internal controls relating to the assistance payments have been strengthened.

Recommendation 16

(16) The UNHCR Representation in the Democratic Republic of the Congo should request Actions et Interventions pour le Développement et l'Encadrement Social and Encadrement des réfugiés urbains de Kinshasa to prepare detailed information on payments made to refugees, including education and medical assistance, for the year 2006 onwards. The expenditure should be reconciled with the financial expenditure reported in the Sub-Project Monitoring Report.

55. *The UNHCR Representation accepted recommendation 16 and explained that the partner has installed a new database to record assistance payments. Once the data recording is completed, the Representation will verify the data including the past payments.* Recommendation 16 remains open pending receipt of confirmation that the assistance payments have been verified.

Recommendation 17

(17) The UNHCR Representation in the Democratic Republic of the Congo should compare the details of all the assisted cases with the UNHCR's protection database and exceptions should be investigated.

56. *The UNHCR Representation accepted recommendation 17.* Recommendation 17 remains open pending establishment of a mechanism to compare the assisted cases with the Representation's protection database.

Commission Nationale pour les Réfugiés (CNR)

57. As part of the Ministry of Interior, CNR with UNHCR coordinates activities related to the protection of refugees, facilitates their repatriation from neighbouring countries, ensures the safety of returnees and assists in registration activities. OIOS assessed that financial management and internal controls were not satisfactory. There was no evidence that CNR's field offices maintained proper accounting records. The Kinshasa office was unable to explain how much

was transferred to the field offices, the level of field expenditure nor the balance on hand. There were no cash balance reports from the field offices at the end of each month, nor any receipts to confirm incoming cash. At the field level, the responsibility for maintaining the accounts was delegated to office secretaries who had no knowledge of basic accounting and record keeping. While this was known to CNR management, adequate supervision and guidance from Kinshasa was not provided. OIOS found instances where entitlements were approved by their subordinates, including the secretaries and field assistants.

58. OIOS found that \$332,000 was paid in incentives and mission subsistence allowances, with no clear approval procedures in place, including a clear segregation of duties. Neither the Representation nor the partner could confirm that all CNR staff members who were paid incentives and/or travel subsistence actually worked on UNHCR projects. CNR provided OIOS a ministerial order listing the name, title and location of the Government staff who would be involved in the UNHCR project activities and to whom the incentives would be paid. The list did not specify the amount due to each staff member, and therefore CNR staff at the offices in Kinshasa and in the field took the decision to pay ministerial staff the budgeted amount. There were no receipts for these payments or evidence that the amounts received from the Representation were given to the staff working on UNHCR's project.

Recommendation 18

(18) The UNHCR Representation in the Democratic Republic of the Congo should ensure that the Commission Nationale Pour Les Réfugiés uses UNHCR project funds to pay: (a) incentives only to the staff members who work on UNHCR projects; and (b) travel allowances to staff members who undertake travel relating to UNHCR projects.

59. *The UNHCR Representation accepted recommendation 18 and stated that the partner was reminded of this obligation.* Recommendation 18 remains open pending receipt of evidence to show that proper procedures are in place to provide assurance on the user of UNHCR funds.

Agence d'Aide à la Coopération Technique Et au Développement (ACTED)

60. ACTED has been the implementing partner responsible for income generation activity since 2005. UNHCR allocated a total amount of \$160,000 in 2005 for the creation of a micro-credit scheme fund with the objective of extending small credits at nominal interest rates to returnees and IDPs. OIOS reviewed the management of this activity by the Sub-Office Uvira and noted major deficiencies.

61. The reporting by ACTED did not comply with the UNHCR requirements as there were no two-monthly narrative and financial reports on the use of the grant amount. ACTED has also not reported on the status of the 2006 funds in

2007 (e.g. number of projects initiated, records on performance, rate of reimbursement, bad debt, etc.).

62. There was no separate agreement concluded by the Representation with ACTED on the transfer of the grant amount pertaining to UNHCR Revolving Loan Funds. There is a considerable risk of UNHCR losing the grant amount should ACTED decide to leave the programme or close down operations in the DRC. Also, ACTED had no separate bank account for the administration of these funds as required by the UNHCR rules.

63. The operational costs were found to be disproportionate to the amount of loans provided. For instance, to provide \$209,000 small business loans in 2006, ACTED spent \$140,000 (or 67 per cent) in costs. The budgeted amount for small business assistance loans for 2007 was \$163,000 compared to budgeted operational costs of \$203,000 (or 125 per cent of the loan amount), which does not appear to be reasonable.

64. There was no evidence that the sub-project proposal was approved by the Reintegration and Local Settlement Section in the Division of Operational Support. This should be standard practice as the amount provided for micro-credit was over \$100,000.

65. Furthermore, the sustainability strategy of the programme was not clear, including the intention of ACTED to continue in this area of operation, the financial stability of the borrowers and ACTED's ability to maintain the value of the loan fund. By reviewing previous years' UNHCR financial records (1994 to 2003), OIOS did not get sufficient evidence to assess ACTED's expertise in managing micro-credit funds for UNHCR.

Recommendation 19

(19) The UNHCR Representation in the Democratic Republic of the Congo should undertake a comprehensive review of the micro credit scheme implemented by Agence d'Aide à la Coopération Technique Et au Développement from the concept through to the implementation and reporting stages, since the scheme lacks sustainability and the cost of implementation significantly exceeds the value of loans made.

66. *The UNHCR Representation accepted recommendation 19 and stated that ACTED is no longer a partner for 2008 and micro-credit is not a priority for assistance.* Based on the response, recommendation 19 has been closed.

67. Contrary to UNHCR rules, in deriving the Headquarters overhead costs for ACTED, the small business assistance grants were not excluded. Based on the amount budgeted, the excess payment to ACTED was \$12,000 for 2006 and \$8,000 for 2007. The Sub-Office, Uvira should obtain a refund of these amounts.

Recommendation 20

(20) The UNHCR Representation in the Democratic Republic of the Congo should seek a refund of \$12,000 from Agence d'Aide à la Coopération Technique Et au Développement for the over payment of the Headquarters overhead costs for 2006 and reduce the budget for 2007 by \$8,000.

68. *The UNHCR Representation accepted recommendation 20 and stated that the budget for 2007 was reduced by \$8,000 and a refund of \$12,000 has been sought from ACTED for 2006. Recommendation 20 remains open pending confirmation by UNHCR that the amount of \$12,000 has been recovered.*

C. Supply management

69. The price paid for fuel procured in the eastern DRC included taxes. The Sub-office in Uvira and the implementing partners paid \$1.25 per litre of fuel (diesel and petrol) to a local vendor, including taxes, estimated around \$0.40 per litre. The price paid in Uvira was 50 per cent more than the price paid by the Representation (around \$0.80 per litre). Given that \$440,000 was spent in 2006 on fuel under the administrative and operational project budgets and assuming the duty free price to be \$0.80 per litre, the total tax paid in 2006 by UNHCR and its implementing partners was estimated to be about \$150,000.

70. OIOS noted that the Sub-Office, Uvira and the partners continued to procure fuel in 2007 from the same supplier though the price slightly decreased to about \$1.20 per litre. If no action is taken to obtain duty free fuel immediately, the Representation will end up paying about \$150,000 in taxes for 2007 as well.

71. The Supply Section in the Representation explained that the tax free procurement for the East of Congo was discussed among the UN agencies several times in 2006. A consultant appointed in the middle of 2006 by the UN agencies for a joint study recommended that MONUC, as the largest consumer of fuel, should provide fuel to other UN agencies at cost plus service charges. However, no significant progress was possible due to the uncertain political situation (as elections were due later during the year). Furthermore, there were storage and security constraints in the east.

72. The Supply Unit in the Representation explained that the World Food Programme (WFP), as the Logistics Cluster lead, was aware of this issue and was expected to lead the discussions with the Government. However, several months after the elections and with a new Government in place, there was little progress and the tax free procurement of fuel remained unresolved. The procurement of fuel with taxes was noted in other locations like Bukavu, Goma and Moba. OIOS was informed that, in the meantime, the Supply Unit took alternative steps to ensure that all fuel procurement from 1 September 2007 would be tax free.

Recommendation 21

(21) The UNHCR Representation in the Democratic Republic of the Congo should seek a refund of the tax paid in 2006, estimated to be over \$250,000 on the fuel procured directly by the Sub-office in Uvira and by the partners for UNHCR projects from January 2006 through August 2007. Procedures should be in place to ensure that the later procurement of fuel would be without tax or to obtain monthly or quarterly tax refunds from the Government.

73. *The UNHCR Representation did not accept recommendation 21. The Representation stated that though they communicated their demand to the Government, the Representation felt that due to weaknesses in Government's record keeping and a non-functioning tax collection mechanism, such a request for refund would not be successful. Furthermore, efforts to find suppliers willing and able to provide duty-free fuel encountered major problems in Uvira and Goma. Within a few days of signing a contract with the monopolist supplier, the Representation was forced to rescind the contract as the supplier was blacklisted by the UN for illegal weapons trade. The Representation also stated that procuring from other countries in the region was also not easy. OIOS acknowledges these complexities. However, the Representation has not provided information on their current source of fuel and the cost or details on the practices of other UN agencies in the area. Pending receipt of this information, recommendation 21 remains open.*

74. In 2006, the Representation was responsible for placing orders for fuel for the UNHCR field offices in Equateur and Bas Congo and for Katanga and Aru upon request. The Supply Unit in the Representation maintained Excel spreadsheets to record the details of the delivery for each order. This required considerable effort as over 625,000 litres of fuel valued at over \$520,000 were procured under administrative and programme budgets.

75. In the case of the Sub-office Uvira, the fuel procured under the administration amounted to \$168,000 in 2006. OIOS noted that there was no segregation of duties with regard to ordering, confirming delivery and requesting payment. The Administrative Clerk, responsible for preparing purchase orders, had access to and issued coupons requesting fuel delivery. He was also involved in verifying the actual deliveries; comparing them with the coupons and preparing the payment request. Furthermore, there was no reconciliation of the quantities ordered, received and paid for. As a result, there was no assurance that all fuel procured was used for official UNHCR purposes. The implementation of MSRP in mid-2007 is expected to address these issues.

76. OIOS assessed that the procurement and management of fuel needed significant improvement for the entire country. The quantity to be procured was not properly substantiated by providing details of the number and type of vehicles, the estimated monthly distance and the average consumption. It was impossible to evaluate whether the procurement matched the operational needs.

77. The Supply Section in Kinshasa did not determine a reporting format and timeframe for the field offices in respect of the quantities of fuel received, provided to vehicles and generators and balance in stock. As a result, the field offices provided disparate information at varying frequencies. These reports often were not subject to proper analysis or follow-up. Given that the situation for the vehicles in Kinshasa was no different, the Representation was unable to provide reliable information on consumption, normal and exceptional losses and stock on hand.

78. OIOS would like to highlight that fuel and workshop management are integral parts of fleet management. Unless the Representation is able to collate and analyze fuel consumption data by plate number of the vehicle and correlate with the corresponding workshop management reports, the Representation can not make sound fleet management decisions.

Recommendation 22

(22) The UNHCR Representation in the Democratic Republic of the Congo should establish proper reporting mechanisms to monitor both the quantity and value of fuel procured, distributed and stored in all UNHCR offices. The distribution report should identify the plate number of the vehicle, the odometer readings, the quantity of fuel delivered each time and the date of delivery. Also, the quantity and value of any exceptional losses or major discrepancies should be identified and justified.

79. *The UNHCR Representation accepted recommendation 22 and stated that recording and reporting formats as well as training/sensitization missions were sent to the field in the last quarter of 2007. The Supply Section is following on the progress.* Recommendation 22 remains open pending receipt of documentation showing that fuel reporting mechanisms have been established and are working properly.

Relief items management

80. Inventory management of relief items in Sub-office, Uvira was delegated to the implementing partner ATLAS. The related tasks on the Sub-office's side were handled by the Community Services Assistant, who was not trained in the additional tasks relating to inventory management nor appropriately guided in these new responsibilities. The Sub-office lacked a reliable system to establish the stocks at the beginning and end of 2006, record incoming relief items stocks and monitor the movement of relief items. In 2006, Supply Chain Management Service ordered relief items for about \$3 million for IDP operations in the eastern part of DRC (SB/COD/CM/238) and (SB/COD/RP/RP/333). These items were stored in various locations in Tanzania. However, the status of these items could not be readily established as the Sub-office did not possess the relevant information. The implementation of MSRP in the region may help in solving this

problem assuming that the Representation and Sub Office in the DRC is given access to the stock records in MSRP.

81. Similarly, the value of the relief item shipments destined for the repatriation and reintegration programme implemented in Uvira was over \$800,000. Significant discrepancies existed between the quantities ordered by Supply Chain Management Service and the quantities received in Uvira. For example, 160,000 blankets were ordered in 2006 (POs 5061 and 5128 refer), but the recorded incoming quantity in Uvira was only 55,000. Similarly, 26,000 mosquito nets (PO 5471 refers) were ordered though the incoming quantity was only 10,800. Immediate action is required to identify the discrepancies. The new Head of Sub-Office agreed to review the situation relating to the relief items and to put in place the necessary internal controls.

82. OIOS followed up with the Supply Chain Management Service in the Representation to ascertain the status and location of these items. However, the Representation did not readily have the relevant information. The Representation had not established a proper tracking system for the purchase orders pertaining to the relief items although they had some fragmented information on the items stored in Tanzania. The Supply Section explained that a number of factors, such as staffing constraints, lack of training, lack of access to MSRP to ascertain independently the purchase orders for follow-up, interruption or delays in the flow of information from Geneva and Tanzania, receipt of relief items from Tanzania that were procured under other purchase orders (procured under regional projects for example), resulted in the recording shortcomings.

Recommendation 23

(23) The UNHCR Representation in the Democratic Republic of the Congo should establish the details of all the orders initiated by the Supply Chain Management Service for the 2006 and 2007 projects SB/COD/RP/RP/333 and SB/COD/CM/238 respectively, and establish their current status, i.e. the quantities received and still in stock and their physical location (like in Ngara and Uvira), and investigate any discrepancies.

83. *The UNHCR Representation accepted recommendation 23 and stated that reconciliation of stocks was in progress to establish their current status and the MSRP inventory module is used for issuing and tracking.* Pending completion of this exercise, recommendation 23 remains open.

D. Administration and Finance

84. Due to the lack of banks, between July 2005 and April 2007, the Representation transferred about \$800,000 from Kinshasa to the field offices in Equateur, Kivu and Katanga using a private money trader. The Representation concluded an agreement to transfer funds to operational areas upon approval from the Chief, Finance Section though for 2007, there was no approval. It included the payment of a commission of two to three per cent. Initially the

arrangement was for the field offices in Equateur, Bandundu and Bas Congo provinces.

85. The procedures established by the Representation to record salary or cash advances related to the requests for transfers were cumbersome. The adopted accounting procedures required regular monitoring and a monthly reconciliation of several accounts and sub-accounts to ensure that the payments to the money trader matched the salaries and receivable accounts recorded against the field offices. OIOS noted that there was no adequate monitoring and the reconciliations were not regularly performed.

86. In addition, the Representation did not have a system to track all the instructions given to the money trader and, as a result, could not provide the amount the money trader was requested to pay to each field office, the date of the request and the purpose. Maintaining a logbook and chronologically filing the requests for transfer issued would have facilitated the monitoring of the liquidation of the payable account and reduced the risk of discrepancies.

87. OIOS' review of the payment instructions revealed that the total payments to the money trader were higher than the summarized payment instructions by \$80,000: payment requests amounted to \$713,000 compared with \$793,000 paid by the Representation to the money trader (excluding commission) as of the end of April 2007. This means that the money trader was reimbursed for payments of salary made to the staff or cash advances to field offices without these being first recorded by UNHCR. It also implies that the necessary financial controls (authorization, approval and documentation of expenditures) were not done prior to the payment. As a result, UNHCR may have paid the money trader for unauthorized transfers. There is also a risk that multiple payments of salary have been made.

Recommendation 24

(24) The UNHCR Representation in the Democratic Republic of the Congo should chronologically establish the amount transferred to each field office and reconcile the transferred amount with the expenditure accounts (salaries and other expenses) and with the accounts payable. Given the discrepancies found, this exercise should start from the beginning of the contract with the money trader (i.e., July 2005). For better internal control, monthly reconciliation of these transactions should be performed.

88. *The UNHCR Representation accepted recommendation 24 and stated that after a lengthy exercise, the variance has been reduced to \$ 1,800 and still work is in progress to close this gap. Furthermore, with the closure of most of the offices that needed the services of a money trader, there is only one request per month now which is easier to reconcile.* The Representation has not explained the impact of the reconciliation exercise on the open items in the

accounts payable. Pending receipt of this information, recommendation 24 remains open.

E. Safety and security

89. Several UNHCR offices in the country were not Minimum Operating Security Standards (MOSS) compliant though they have been in the security phases three and four. In particular, due to inadequate staffing, some of the radio communications rooms could not be manned round the clock. Shortages of staff with technical skills needed to carry out basic maintenance of the communication equipment were also reported. Furthermore, much of the equipment in use had been redeployed from offices that had been closed and was said to be outdated. OIOS learned that an assessment was carried out in September 2005 to procure replacement and additional equipment. However, the budget was approved in the first half of 2007 and several purchase orders for communication equipment have been issued in November 2007.

Recommendation 25

(25) The UNHCR Representation in the Democratic Republic of the Congo should immediately address the weaknesses in the telecommunications area pertaining to staff security.

90. *The UNHCR Representation accepted recommendation 25 and stated that additional equipment was procured and provided to the staff members. Technical difficulties faced were also addressed.* Based on the response, recommendation 25 has been closed.

V. ACKNOWLEDGEMENT

91. We wish to express our appreciation to the Management and staff of UNHCR in the Democratic Republic of the Congo for the assistance and cooperation extended to the auditors during this assignment.

STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	C/O ¹	Actions needed to close recommendation	Implementation date ²
1	C	Action completed	Implemented
2	C	Action completed	Implemented
3	C	Action completed	Implemented
4	C	Action completed	Implemented
5	O	Confirmation that the Representation has recovered the unspent funds.	Second quarter of 2008
6	C	Action completed	Implemented
7	C	Action completed	Implemented
8	O	Documentation showing that this recommendation has been fully implemented.	First quarter of 2008
9	C	Action completed	Implemented
10	O	Confirmation that the Representation has the staff member for donor reporting has assumed her/his functions.	During 2008
11	C	Action completed	Implemented
12	O	Confirmation that the implementing partners reconcile their stocks with the financial statements.	During 2008
13	O	Documentation showing that the internal controls at AHA have been significantly strengthened.	First quarter of 2008
14	C	Action completed	Implemented
15	O	Confirmation from the Representation that the internal controls relating to assistance payments are strengthened.	First quarter of 2008
16	O	Confirmation from the Representation that the assistance payments have been verified.	Second quarter of 2008
17	O	Confirmation from the Representation that a mechanism is in place to compare the assisted cases with the Representation's protection database.	Not provided
18	O	Confirmation from the Representation that proper procedures are in place to provide assurance on the user of UNHCR funds.	First quarter of 2008
19	C	Action completed	Implemented
20	O	Confirmation that the Representation has received \$ 12,000 from ACTED.	Not provided
21	O	More information on the sourcing of fuel including the tax component is needed from the Representation	Not provided
22	O	Documentation showing that fuel reporting mechanisms have been established and are working properly.	Implemented
23	O	Confirmation that inventories were reconciled and their current status established.	Second quarter of 2008
24	O	Details of the impact of the reconciliation exercise on open-items.	Not provided
25	C	Action completed	Implemented

1. C = closed, O = open

2. Date provided by UNHCR in response to recommendations.