



INTERNAL AUDIT DIVISION

AUDIT REPORT

UNHCR Operations in South Africa

14 July 2008

Assignment No. AR2007/113/01

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: 14 July 2008

REFERENCE IAD: 08- 01544

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



SUBJECT: **Assignment No. AR2007/113/01 – Audit of UNHCR Operations in South Africa**

OBJET:

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 3, 4 and 6 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 12. In OIOS' opinion however, this recommendation seeks to address a significant risk area. 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 8), 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
Ms. Karen Madeleine Farkas, 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 Hjertstrand, 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).

CONTACT INFORMATION

DIRECTOR:

Dagfinn Knutsen, Tel: +1.212.963.5650, Fax: +1.212.963.2185,
e-mail: knutsen2@un.org

DEPUTY DIRECTOR:

Fatoumata Ndiaye: Tel: +1.212.963.5648, Fax: +1.212.963.3388,
e-mail: ndiaye@un.org

CHIEF, GENEVA AUDIT SERVICE:

Anders Hjertstrand: Tel: +41.22.917.2731, Fax: +41.22.917.0011,
e-mail: ahjertstrand@unog.ch

EXECUTIVE SUMMARY

UNHCR Operations in South Africa

OIOS conducted an audit of UNHCR Operations in South Africa. The overall objective of the audit was to assess the adequacy and effectiveness of internal controls in programme management, supply chain management, and administration and finance. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

The system of internal control pertaining to the areas reviewed was assessed as average. Although the majority of key controls were 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.

Project monitoring could be more effective by increasing the frequency of financial monitoring visits and improving follow-up actions. Financial monitoring visits were only done once a year and two of the implementing partners were not visited at all. There was no effective process in place to follow up on findings reported in the financial verification reports or on the external auditors' recommendations to ensure partners improve their internal controls. Performance monitoring activities should be documented and filed centrally in a more systematic way in the Programme section.

Internal control in the procurement process needs to be strengthened. Three comparative quotes were not always obtained, bid tabulations forms were not consistently used and the Regional Contracts Committee was bypassed on some occasions.

Internal controls in asset management need improvement to overcome the existing weaknesses, such as data inaccuracies, inability to locate recorded assets, and the lack of verification at implementing partners.

Several decisions concerning assets were made by the Representation, bypassing the required approval procedure via the Asset Management Boards. New assets were donated to the Governments of South Africa and Swaziland respectively in 2005 and 2006 in the total amount of \$70,000 for which the approval from the Headquarters Asset Management Board was not obtained.

Interviews with staff members indicated difficulty in understanding the division of responsibilities between UNHCR Headquarters, the Regional Office Pretoria and the countries in the region. The Representation informed OIOS that a workshop would be held soon to develop a regional accountability framework in order to clarify the division of responsibilities between different offices.

The segregation of duties set up in MSRP should be addressed as it does not comply with the UNHCR Financial Internal Control Framework. Also, there was a need to ensure compliance with rules and procedures for granting of staff advances, and clear outstanding receivables of \$50,000 dating from 2003.

TABLE OF CONTENTS

Chapter	Paragraphs
I. INTRODUCTION	1-5
II. AUDIT OBJECTIVES	6
III. AUDIT SCOPE AND METHODOLOGY	7-9
IV. AUDIT FINDINGS AND RECOMMENDATIONS	
A. Programme management	10-22
B. Implementing partners	23-25
C. Supply chain management	26-36
D. Administration and finance	37-47
V. ACKNOWLEDGEMENT	48
ANNEX 1 – Status of Audit Recommendations	

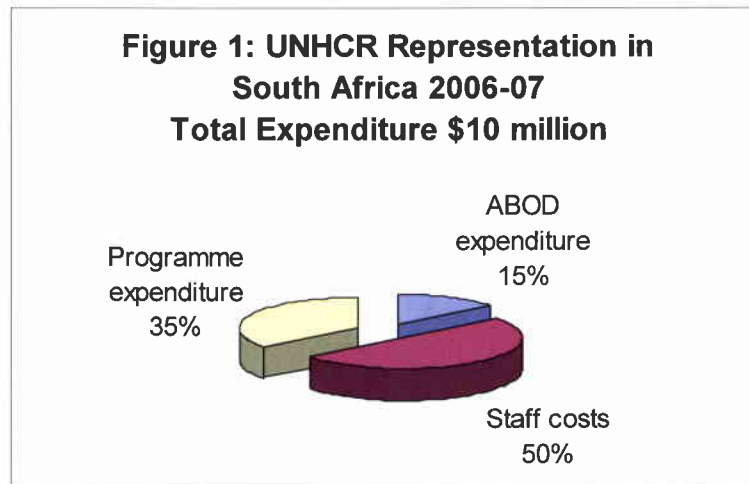
I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the Office of the United Nations High Commissioner for Refugees (UNHCR) Operations in South Africa. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. The main activity of the operation was to assure access to public services and asylum procedures for the 175,000 urban refugees and asylum seekers in the country. UNHCR launched a self-reliance and local integration programme for providing assistance to urban refugees with special needs. The country operations also cover the implementation of projects in Swaziland, Lesotho and the Indian Ocean Islands of Madagascar and Comoros.

3. The UNHCR office in Pretoria has been the Regional Office (RO) for Southern Africa since 1 January 2007 when five country offices started reporting directly to Pretoria instead of Headquarters in Geneva. There are also seven global technical support positions operating from Pretoria for the whole region.

4. In 2006 and 2007, a total budget of \$11.7 million was allocated, including staffing costs administered by Headquarters, against which expenditure of \$10 million was reported (see Figure 1). The Representation was working with 11 implementing partners. At the time of the audit the number of staff working for the UNHCR Operations in South Africa was 35.



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

II. AUDIT OBJECTIVES

6. The purpose of the audit was to assess the adequacy and effectiveness of internal controls in programme management, supply chain management, and administration and finance. The main objectives of the audit were to assess:

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- (a) Effectiveness and efficiency of arrangements for programme management including monitoring of the implementing partners;
 - (b) Reliability and integrity of financial and operational reporting as well as information available in Management Systems Renewal Project (MSRP);
 - (c) Safeguarding of UNHCR assets against loss, misuse and damage due to waste, mismanagement, errors, fraud and irregularities; and
 - (d) Compliance with UNHCR regulations and rules, Letters of Instruction and Sub-Project Agreements.

III. AUDIT SCOPE AND METHODOLOGY

7. The audit reviewed 2006 and 2007 programme activities under projects 06 & 07/AB/RSA/LS/400 with a combined total budget of some \$4 million. The audit covered the programme activities implemented by Jesuit Refugee Services (JRS), Lawyers for Human Rights (LHR) and UNHCR direct implementation.

8. The audit also reviewed the administration of the office of the Representation in South Africa with administrative expenditure totaling \$1.4 million for the years 2006 and 2007, and assets with acquisition cost totaling \$0.6 million and current value of \$0.2 million.

9. The audit methodology comprised: (a) review of policies and procedures, administrative guidelines, and data available in MSRP; (b) interviews with responsible personnel; (c) analysis of applicable data; (d) physical verification, assessment and effectiveness of controls; and (e) observations and verification of processes, as appropriate.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Programme management

Project financial monitoring

10. OIOS observed that financial monitoring of sub-projects was inadequate and infrequent. The Representation conducted financial monitoring visits with implementing partners only once every year, and two of the implementing partners were not visited at all. Caritas Swaziland and UNDP Madagascar, each with an annual budget of some \$70,000, were not visited in 2006 and 2007. The Programme Officer informed OIOS that the quality of communication lines with Madagascar is below standards, which reduced the possibilities of follow up. UNDP Madagascar never even submitted a Sub-Project Monitoring Report (SPMR) in 2006 nor 2007. OIOS is of the opinion that SPMRs from UNDP

Madagascar should be obtained and verified for 2006 and 2007. The Programme Officer also informed OIOS that due to human resource constraints, Caritas Swaziland was not visited since it was audited in 2007 for the years 2004, 2005 and 2006 and the external auditor reported no significant weaknesses.

11. The follow-up on the issues raised in the financial verification reports was not adequate and needed improvement. For example, the report for partner Mennonite Central Committee (MCC) dated 30 September 2007 mentions that the Programme Assistant was not able to reconcile any of the expenditure lines reported in the SPMR to the accounting records. Also, the supporting documents for payments were reported as incomplete and one car was reported idle due to accident damage. No follow-up actions were yet taken according to programme staff, which indicates that the programme monitoring may not obtain the priority it deserves.

Recommendation 1

(1) The UNHCR Representation in South Africa should strengthen its project monitoring activities by more frequent financial monitoring visits and better follow-up action on the findings in the financial verification reports.

12. *The UNHCR Representation accepted recommendation 1 and stated that a monitoring plan has been established under which the Programme Unit staff will monitor the work of every implementing partner at least two times a year. Also, financial monitoring visits will take place at least twice a year. Findings from monitoring visits as well as by the external auditors will be closely followed up. Issues mentioned concerning MCC have been resolved. RO Pretoria will continue to urge UNDP Madagascar to submit SPMR's for 2006 and 2007. Financial monitoring of Caritas in Swaziland will be undertaken in the 2nd half of 2008. Recommendation 1 remains open pending receipt of the 2008 monitoring plan and confirmation by the Representation that all final 2007 SPMR's, including UNDP Madagascar, have been received, verified and action taken on the verification findings.*

Follow up on external auditors' recommendations

13. The Office needed to better follow up the issues reported by the external auditors. Sending out letters to the implementing partners asking for a response on the external auditor's management letter is not sufficient. The management letters indicated, for example, expenditures that were not supported in several budget lines for partner Cape Town Refugee Centre, and internal control weaknesses for several implementing partners, such as lack of controls over safeguarding of cheques and refugee food vouchers. All of these issues need thorough follow-up actions to be taken by the Office.

14. OIOS found that the external auditor was not briefed properly on some of the basic UNHCR financial rules, including allowable budgetary transfer level, rules on 15 per cent overexpenditure, the Implementing Partner Procurement Guidelines, rules on repayment of unspent balances and rules governing assets

with implementing partners. The external auditors' report should provide an opinion on the expenditures submitted in the SPMR under the budget provided in the sub-agreement. However, the external audit report compared the expenditures of 2006 sub-project with 2005 sub-project using terms unrelated to UNHCR practices (e.g., grants instead of installments and income surplus instead of unspent balance). Also, two of the implementing partners sent complaint letters to the Office in 2005 and 2006 on the usefulness of the external audit reports citing a lack of communication on issues reported and incorrect statements made in the management letters. However, no adequate action was taken by the Representation to solve these matters.

Recommendation 2

(2) The UNHCR Representation in South Africa should take adequate follow-up action and decisions on the recommendations in the external auditors' management letters. The Representation should further ensure that the external auditors are properly briefed on basic UNHCR financial rules.

15. *The UNHCR Representation accepted recommendation 2 and explained that early this year the external auditors were not only briefed of UNHCR programme/financial rules, but given relevant documents prior to their audit work. Communications had also improved between the auditors and UNHCR partners, before and during the audits. The implementing partners responded positively to the audit findings, which will be closely monitored by RO Pretoria. Recommendation 2 remains open pending receipt of the status report clarifying the follow up action taken by the Representation on each of the external auditor's recommendations.*

Performance monitoring

16. OIOS found no evidence of performance monitoring in the programme files. Both programme and protection staff are responsible for performance monitoring of implementing partners' projects in South Africa, but most of the performance monitoring reports had to be retrieved from personal e-mail accounts. Documents in the programme files were filed by implementing partner and year, but there was no further structuring or indexing. In general, documentation in programme files needed improvement.

Recommendation 3

(3) The UNHCR Representation in South Africa should ensure better structuring and indexing of programme files, which should also include performance monitoring reports.

17. *The UNHCR Representation accepted recommendation 3 and stated that the filing of programme documents has been improved. Documents are now separated by indexes in box files. A file index has been created and this one*

includes a section for Project Monitoring Reports. Based on the action taken by the Representation, recommendation 3 has been closed.

18. For most implementing partners the established performance indicators per the Sub-Project Agreement were suitable for monitoring the progress of the project, except for Lawyers for Human Rights (LHR), for which only six performance indicators were set that were not linked to the overall project objectives. Consequently, the narrative SPMR submitted by LHR did not reflect the progress against performance indicators and was not in line with the UNHCR standard format.

19. As the regional projects with programme and protection staff from all eight countries in the region showed a low implementation rate, the Representation evaluated them in November 2007. Two important regional projects, 07/AB/SAO/CM/200 and 07/AB/SAO/CM/201, showed an implementation rate of 51 per cent for 2007 with a total budget of \$1.3 million and total expenditure of \$656,000. The main reasons given by the Office were reluctance of governments in the region to implement registration activities, confusion surrounding handover of responsibility from Headquarters to RO Pretoria, and late (earmarked) funding. All country participants gave recommendations for faster implementation in 2008.

SPMRs and Sub-Project Agreements

20. OIOS assessed that although the expenditures had been recorded in MSRP, none of the 2006 final SPMRs were finalized and approved by the Office. Programme staff replied that there was a lot of confusion after the conversion to MSRP at the end of 2006. Although MSRP did not introduce any change at this level, it was not clear for the management as to who should be signing the SPMRs, which resulted in no one signing the final 2006 SPMRs.

21. Some of the Sub-Project Agreements did not have all of the required items filled out correctly. The agreements indicated that partners JRS and LHR had used separate bank accounts in 2006 but pooled accounts in 2007. Yet, the implementing partners have always used separate accounts. Similarly, most implementing partners have been indicated in 2007 as pre-qualified for procurement procedures on behalf of UNHCR, when this actually was not the case for any of these implementing partners.

Recommendation 4

(4) The UNHCR Representation in South Africa should ensure that 2006 final SPMRs are finalized and approved. The Representation should also thoroughly review all Sub-Project Agreements so that all required items are filled out correctly.

22. *The UNHCR Representation accepted recommendation 4 and stated that all the 2006 final SPMRs were approved by the Senior Programme Officer and sent to the HQs in February 2008. Precautions will be taken in preparing the*

sub-agreements in future: Sub-agreement details are now routinely double checked with the implementing partners, and the Reviewer Officer assigned in the MSRP system is very closely checking all details sub-agreement details. Based on the assurances provided by the Representation, recommendation 4 has been closed.

B. Implementing partners

Jesuit Refugee Services

23. OIOS reviewed the financial records and internal controls relating to JRS, which were generally satisfactory. The SPMR could be reconciled with JRS' financial records. However, JRS staff members' employment contracts for 2007 were not signed by the employer. The Representation should ensure that signed employment contracts are kept for each of the project employees.

Lawyers for Human Rights

24. OIOS was unable to obtain reasonable assurance on the expenditures reported in the 2006 or 2007 SPMRs, because we could not reconcile the SPMR with their accounts. LHR's accounting system was not set up for different donors, despite the fact that there are three different donors for the refugee project alone. LHR's accounting staff maintained different Excel sheets to split expenditures among donors. Upon reviewing salary expenditure, we had to go through three different Excel sheets to reconcile the expenditure reported on the SPMR to the records and supporting documents, making it a cumbersome and time-consuming process.

Recommendation 5

(5) The UNHCR Representation in South Africa should ensure that Lawyers for Human Rights sets up its accounting system for different donors in order to reconcile the SPMR with their accounting records. The Office should then verify the accounts thoroughly.

25. *The UNHCR Representation accepted recommendation 5 and explained that OIOS' findings were discussed with LHR during the financial monitoring mission in April. UNHCR verified that LHR had introduced a new recording system based on the OIOS' recommendations. Recommendation 5 remains open pending confirmation by the Representation that the final 2006 and 2007 SPMRs could be reconciled to LHR's accounting records and that the reported expenditures have been verified by UNHCR.*

C. Supply chain management

Procurement

26. During 2006 and 2007 the Representation carried out local procurement in the amount of \$900,000, which consisted mainly of office vehicles, training

costs and food items on behalf of UNHCR Zimbabwe. OIOS assessed that the procurement procedures followed were in need of some improvement. The Office did not always obtain the necessary comparative quotes or use bid tabulation forms, and the Regional Contracts Committee (RCC) was bypassed on some occasions. The following are examples of purchases with inadequate procurement procedures:

- As part of direct implementation, the Representation organized and contributed to the training costs of employees and interns of the Department of Home Affairs for training at venues in Cape Town (September 2006) and Pretoria (July 2007). The total cost for Cape Town was Rand 33,727 (\$4,800) and for Pretoria Rand 98,515 (\$13,700). The Department of Home Affairs organized the venues and the Representation paid for the cost directly to the establishments, which was charged as UNHCR direct implementation. The Office did not review the procedures followed by the Department of Home Affairs, which did not provide UNHCR with evidence that a proper bidding process was done.
- Even though the RCC was properly established, the Representation did not always submit procurement cases to the RCC for approval when this was required. For example, the Representation procured 3,000 plastic mats and blankets in August 2007 for Zimbabwean refugees (\$22,714) without approval from the RCC. Also, the Representation did not organize the required tender for this procurement, and obtained only one quote, which was \$6,600 higher (32 per cent) than prices quoted through international procurement. The office explained to OIOS that there was a great urgency to supply these items, and therefore no proper procurement procedures were followed. However, there was no evidence on file stating this emergency requirement.
- In another case, the Representation procured in February 2007 two Volvo vehicles for official use in the Pretoria office in the amount of \$51,000. Procurement procedures were not followed. First, there were only two quotes obtained: one from Volvo and one from Toyota. Further, approval from the RCC was not obtained for this purchase, no bid tabulation was available and there was no documentation on file on the reasons for choosing Volvo, which was more expensive than Toyota. The Office informed OIOS that Volvo was chosen for security reasons, and oversight was the reason for not submitting this procurement to the RCC.

27. Procurement filing procedures were not followed consistently by all departments. The supporting documents for procurement procedures were filed in three different locations: 1) Programme attached them to the payment voucher and sent them to Finance; 2) Administration kept their own supporting documents for procurement on file; and 3) the Supply Officer kept a proper Purchase Order file for only procurement done on behalf of other countries in the region. The result of this separate filing and the corresponding division of

procurement responsibilities is that some supporting documents are sometimes missing or were difficult to retrieve.

Recommendation 6

(6) The UNHCR Representation in South Africa should follow UNHCR procurement procedures by establishing proper supervision over procurement activities and a centralized filing system.

28. *The UNHCR Representation stated that proper procurement procedures are already in place. Minor mistakes made were rectified, moreover, because of the increased workload (i.e. emergency preparedness, etc.). Supply Management Service and the Regional Office have decided to strengthen the capacity of the supply platform in Pretoria by providing an Assistant at the G-7 level who will be on duty as of 1 July 2008. A decision has also been taken to centralize the filing of procurement carried out with Purchase Orders under the responsibility of the Senior Regional Global Supply Officer. Based on response provided by the Representation, recommendation 6 has been closed.*

Asset management

29. Given the high risk of loss, asset management in South Africa needed improvement. Since asset verification in the UNHCR Pretoria office was recently carried out (December 2007), the verification results showed part of the problem: 97 out of 219 recorded assets could not be found, some assets were not bar-coded or recorded, and other assets were bar-coded but not recorded. A lot of the recorded assets were very old (e.g., computer equipment recorded with an acquisition date of 1980). There were also some assets recorded in transit since 1991. The asset files with supporting documents were in great need of clean up, updating and structuring.

30. Controls over assets held by implementing partners were even weaker. Only very few assets at implementing partners had signed Right of Use Agreements; some computer equipment was recorded with implementing partner Wits Law Clinic that has not had a sub-agreement with UNHCR since 2005. One implementing partner (LHR) informed OIOS that it had disposed of two old UNHCR computers in 2005 without prior approval from UNHCR. Some assets were also procured by implementing partners under a sub-agreement, but were never bar-coded or recorded by UNHCR. There was no evidence of asset verifications carried out at implementing partners in 2006 or 2007.

31. OIOS found that the Administration, Programme and Supply Units had different views over division of responsibilities for asset management. Even though responsibilities for asset management were established in the office and divided between Programme and Administration sections in November 2005, few of these responsibilities were carried out by the persons assigned.

Recommendation 7

(7) The UNHCR Representation of South Africa should give priority to improving asset management by: assigning duties and accountability; finalizing physical verification and bar coding, especially at implementing partners; identifying assets procured under sub-agreements; signing Right of Use Agreements; and improving recordkeeping. The Representation should further take the necessary measures for writing off the old assets that could not be located.

32. *The UNHCR Representation accepted recommendation 7 and stated that a regional asset management training course in MSRP was conducted in May 2008. This will help not only South Africa, but the whole region to improve asset management. Two staff members of RO Pretoria, one from administration (focal point) and one from programme were trained. Recommendation 7 remains open pending confirmation from the Representation that the asset register is complete and up to date, all assets are bar-coded and all assets with implementing partners are covered by signed Right of Use Agreements.*

Local Asset Management Board proceedings

33. Several decisions concerning assets were made by the Office while bypassing the required approval procedure via the Local Asset Management Board (LAMB) and even the Headquarters Asset Management Board (HAMB). The Representation donated on three occasions valuable new assets to both the Government of Swaziland and the Government of South Africa for which no approval was obtained from the LAMB or the HAMB when both were required. The Office signed agreements of Transfer of Ownership of UNHCR Assets and had several letters of exchange with both parties.

- The first donation took place in February 2005 when the Office gave 38 new assets, mainly computer equipment, with an acquisition value of \$34,000 to the Ministry of Home Affairs of South Africa. This equipment was given to assist in clearing the asylum claims backlog.
- The second and third donations were made in April and July 2006 to the Government of Swaziland, which received a new Nissan ambulance (acquisition value of \$27,700) and computer equipment (acquisition value \$8,400) to facilitate the closure of a former refugee camp.

34. There were also other cases when the LAMB was bypassed. These cases consisted of a donation of a fully depreciated Toyota Land cruiser to Caritas Swaziland in April 2006 and a theft of assets in the Office (valued at \$950) that was not reported to the LAMB for establishing final accountability. United Nations Department of Safety and Security in Pretoria produced a report on this last case and concluded that the investigation was unable to identify anyone responsible for the loss.

35. OIOS' review of the LAMB minutes found that cases dealt with in the March 2006 and March 2007 meetings appear deferred without evidence of resubmission for a decision. Similarly, on 9 March 2007, the LAMB recommended that a staff member reimburse UNHCR for a stolen asset due to the staff member's negligence; RO Finance Unit informed OIOS that the reimbursement was never made. The reason given by the Office was that the board members disagreed on the asset value making up the repayment amount. This case should be submitted to the HAMB for a decision since there is no agreement on the amount.

Recommendation 8

(8) The UNHCR Representation in South Africa should enhance the Local Asset Management Board as a vital decision-making body for asset management issues and should follow the required regulations for donating, transferring and writing off assets. The case of reimbursement by a staff of stolen asset should be submitted to the Headquarters Asset Management Board.

36. *The UNHCR Representation accepted recommendation 8 and explained that, since the reconstitution in August 2007, the LAMB has been the sole decision making organ in the office for asset management issues. No reports of irregular cases of asset management were identified after this reconstitution. Recommendation 8 remains open pending receipt of documentation on the LAMB decisions on the obsolete and missing assets identified during the physical verification, and the HAMB decision on the disputed case of the stolen asset.*

D. Administration and finance

Staffing and regionalization process

37. RO Pretoria's supervisory responsibilities will slowly expand and cover eight countries in the region by 2010. As staffing levels decrease in the countries of the region, the amount and impact of RO Pretoria's supervision will increase. In 2007 five countries started reporting directly to RO Pretoria instead of Geneva, and regional activities mainly consisted of high level guidance and review and support activities upon request by the countries in the region.

38. OIOS interviewed staff members in the office on the regionalization process carried out. Most staff mentioned that is not sufficiently clear to them what the division of responsibilities is between UNHCR Headquarters, the Regional Office Pretoria and the countries in the region. For example, even though reports from the countries were sent to RO Pretoria, these reports also went 'cc' to Geneva, which created confusion as to who is responsible for reviewing them. Moreover, the job descriptions for the regional positions in the Office do not give sufficient information on the level of responsibility towards the countries in the region. The Representation informed OIOS that a workshop

was to be held in February 2008 to develop a regional accountability framework in order to clarify the division of responsibility between different offices.

39. Another issue mentioned in the interviews was the confusion on the responsibilities and reporting lines of the seven global technical support officers in RO Pretoria. These officers operate fairly independently and still report only to the Regional Representative and at Headquarters in line with the global positions. Although nearly all of their work is within the region, the posts have not been integrated yet into the regional structure. The Representation informed OIOS that there are plans in that direction.

Recommendation 9

(9) The UNHCR Representation in South Africa, in conjunction with the Bureau of Africa, should further clarify the division of responsibilities between the Bureau, the Regional Office and the country operations in Southern Africa.

40. *The UNHCR Representation accepted recommendation 9 and explained that two workshops were held in Pretoria in February and May 2008 with participation of senior staff from the region as well as the Africa Bureau and the Structural and Management Change Team, to discuss, define and agree on the Accountability Framework for the region. The results of these two workshops will be shared by the consultant with HQs and implementation will start as soon as they are approved.* Recommendation 9 remains open pending confirmation by the Representation that the Regional Accountability Framework has been approved and implemented.

Segregation of duties

41. OIOS' review of the Delegation of Authority Plan (DOAP) in MSRP found that conflicting roles were set up governing the payment cycle, thereby creating breaches in proper segregation of duties as per the UNHCR Financial Internal Control Framework (FICF).

- In the Pretoria Office both the Programme and Administrative Officers approved payments for transactions in which they were the beneficiary, although the payment approver should not approve payment for a transaction in which he/she is the beneficiary.
- The Assistant Finance Officer has been given two login IDs with each a different and conflicting set of authorities. Combining these two sets of authorities creates two conflicts of interest:
 - First, the voucher preparer role (non PO transaction) cannot be combined with the technical approver role and the vendor approver role. The Assistant Finance Officer has all these roles assigned within these two IDs. Proper segregation of duties should have divided the roles of voucher preparer and technical approver between two staff members.

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- Second, the Assistant Finance Officer could prepare a voucher (PO transaction) with one ID and enter the receipt with the other ID, which could initiate immediate payment when perfectly matched (three way matching) without approval by the payment approver. Although it was ascertained that the Assistant Finance Officer never entered any receipts, the double IDs should be terminated immediately in order to ensure segregation of duties and maintain quality internal controls.

Recommendation 10

(10) The UNHCR Representation in South Africa should immediately adhere to the rules set for segregation of duties per the UNHCR Financial Internal Control Framework. One of the two login IDs for the Assistant Finance Officer should be withdrawn and controls should be enhanced to avoid payments being approved when the approver is also the beneficiary.

42. *The UNHCR Representation accepted recommendation 10 and stated that due to the complex transactions in clearing the accounts, RO Pretoria sought advice from the Senior Finance Officer at Headquarters on how to clear open items from MSRP. Finance staff at Headquarters proposed and MSRP Security agreed to create a second ID for the Assistant Finance Officer in order to clear the open items only. The Assistant Finance Officer has been performing this function so far and the amount of money under this account has decreased considerably. It is expected that the second ID will be cancelled by end of August 2008, once the old outstanding accounts are cleared. There is only one case where the approver was also a beneficiary. Furthermore, this transaction was technically approved by the Assistant Finance Officer. OIOS acknowledges that for complex transactions, adequate knowledge and experience is needed to perform the entries. However, due to the lack of segregation of duties, the overall system of internal control remains compromised. The receiver role is, for example, not needed for the Assistant Finance Officer to perform these transactions. The Representation has not explained what mitigating controls it has put in place to prevent transactions where the approver is also the beneficiary. Recommendation 10 remains open pending confirmation by the Representation that: (a) the identified conflicting roles in MSRP have been taken away from the Assistant Finance Officer; (b) adequate review of such transactions initiated by the Assistant Finance Officer has been carried out; and (c) additional controls have been put in place to prevent transactions where the approver is also the beneficiary.*

Outstanding receivables

43. OIOS is concerned about the receivables outstanding from staff members in the amount of \$50,000 dating as far back as 2003. A majority of these receivable accounts relate to salary, medical and travel advances. Some of them are a mix of advances consisting of emergency, salary and operational advances

in one account. Even though the Representation started reconciling items and recovery of outstanding amounts at the end of 2007, more needs to be done.

44. Even though the rules on granting emergency, special or medical advances to staff members are stringent, some staff members were able to obtain more than one advance at a time, with one staff member having obtained three advances within one year (emergency/special/medical). At the time of the audit there was an amount of \$10,000 in emergency, special and medical advances outstanding to staff members.

Recommendation 11

(11) The UNHCR Representation in South Africa should monitor receivables regularly and take immediate action to follow up and recover long outstanding receivables from staff members. The appropriate rules should be followed when granting emergency, special and medical advances to staff members.

45. *The UNHCR Representation accepted recommendation 11 and stated that RO Pretoria was able to regularize and clear more than \$46,000 in outstanding receivables. The remaining accounts refer to medical evacuations, and salary advances granted to staff members. Recommendation 11 remains open pending confirmation by the Representation that all old staff advances have been cleared and that receivables are monitored regularly.*

Communication costs

46. Mobile phones were distributed to every staff member in the office without established criteria to justify the need. The total cost of providing subscriptions to all 35 staff members, including 240 minutes of monthly free call time, is \$23,000 per year. Even though mobile phones are readily available for everyone in South Africa at competitive rates, and most of the staff members spend their working time in the office and could be reached at their landline numbers, no justification could be given for providing everyone with this privilege. Usually, mobile phones are only provided to UNHCR senior management who sometimes need to be contacted outside of office hours or to drivers who are out of the office most of the time.

Recommendation 12

(12) The UNHCR Representation in South Africa should thoroughly review and justify the need for distributing mobile phones to every staff member in the office.

47. *The UNHCR Representation did not accept recommendation 12, stating that the management of RO Pretoria has revisited the policy of distributing mobile phones to every staff member and decided to maintain this policy due to operational needs and also due to the high crime rate in Johannesburg and Pretoria where UNHCR staff members live. Both international and national staff*

are targets of the criminals and therefore at high risk of becoming victims; having a mobile telephone provides the staff with the possibility to call the police and/or Security in case of threat or if facing a dangerous situation. It is important to highlight that there is no alternative communication means when the staff is away from the office since the UHF/HF networks are not operational. Finally, it is worth noting that UNDP has confirmed that they will follow UNHCR's policy on assigning a mobile phone to all staff members. OIOS acknowledges the security considerations for providing mobile phones to each staff member. However, the Representation did not justify providing 240 minutes free monthly call time involving an expenditure of \$23,000 annually. Recommendation 12 remains open OIOS pending receipt of documentation showing that this arrangement has been approved by UNHCR Headquarters based on appropriate justification.

V. ACKNOWLEDGEMENT

48. We wish to express our appreciation to the Management and staff of UNHCR South Africa 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	O	Receipt of the 2008 monitoring plan and confirmation of the Representation that all final 2007 SPMR's, including UNDP Madagascar, have been received, verified and action taken on the verification findings.	Immediate
2	O	Copy of the status report on each of the external auditor's recommendations.	Not provided
3	C	Action completed	Implemented
4	C	Action completed	Implemented
5	O	Confirmation by the Representation that LHR's final 2006 and 2007 SPMRs could be reconciled to LHR's accounting records and that the reported expenditures have been verified by UNHCR.	March 2008
6	C	Action completed	Implemented
7	O	Confirmation from the Representation that the asset register is complete and up to date, all assets are bar-coded and all assets with implementing partners are covered by signed Right of Use Agreements.	May 2008
8	O	Copy of the LAMB decisions on the obsolete and missing assets identified during the physical verification, and copy of the decision by the HAMB on the disputed case of the stolen asset.	August 2008
9	O	Confirmation by the Representation that the Regional Accountability Framework has been approved and implemented.	Not provided
10	O	Confirmation by the Representation that: (a) the identified conflicting roles in MSRP have been taken away from the Assistant Finance Officer; (b) adequate review of such transactions initiated by the Assistant Finance Officer has been carried out; and (c) additional controls have been put in place to prevent transactions where the approver is also the beneficiary.	August 2008
11	O	Confirmation by the Representation that all old staff advances have been cleared or recovered, and that receivables are monitored regularly.	February 2008
12	O	Receipt of UNHCR policy justifying the mobile telephone arrangements approved by UNHCR Headquarters.	Not provided

1. C = closed, O = open

2. Date provided by UNHCR in response to recommendations.