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AUDIT OF UNHCR OPERATIONS IN GUINEA

Auditors:

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Office of Internal Oversight Services UNHCR Audit Service

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EXECUTIVE SUMMARY

In February 2005, OIOS conducted an audit of UNHCR Operations in Guinea. The audit covered activities with a total expenditure of US\$ 25.1 million in 2003 and 2004. A summary of preliminary findings and recommendations was shared with the Representative in February 2005, on which comments were received in March 2005. A draft audit report was shared with the Representative and the Director of the Bureau for Africa, for which comments were received in June 2005 and reflected in this final report. *The Representative has accepted all of the recommendations contained in the final report and is in the process of implementing them.*

Overall Assessment

OIOS assessed the UNHCR Operation in Guinea as <u>below average</u>. Although many of the weaknesses previously identified by OIOS had been corrected, there were still various shortcomings, which needed to be addressed, particularly in the area of asset management and medical evacuations. 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.

Programme Management

- For the six partners reviewed, reasonable assurance could be taken that UNHCR funds were properly accounted for and disbursed in accordance with the Sub-agreements, except for BNCR and ACT.
- Numerous discrepancies were noted in the records of BNCR, and OIOS estimated that the disbursements reported in the 2003 SPMRs were overstated by some US\$ 46,000. Internal controls were assessed as inadequate, with the Director being the certifying, authorizing and approving officer, sole bank signatory and cash custodian. *Actions have been taken to address the deficiencies, and BNCR has been requested to submit a corrected final SPMR*.
- GTZ needed to better document its international procurement of spare parts, and to reconcile its stock records. In 2003 and 2004 spare parts totalling some US\$ 830,000 were charged to the SPMRs, however no documentation was available locally to support the expenditure. Further, the expenditure charged to the final SPMRs was higher by some US\$ 145,000 than the costs of spare parts actually received during the same period.
- GTZ did not always evidence the competitive bidding for its procurement, and the documentation supporting the expenditure was sometimes inadequate. Payments of some US\$ 110,000 were made to a single contractor for transport services without competitive bidding. GTZ' under-performance in the area of workshop led the UNHCR Representation to discontinue using the GTZ workshop in the capital city, and to outsource the repair and maintenance services to various private garages.
- OIOS assessed that project financial monitoring was carried out, though some improvement was required. Project verification reports were not always available, unspent project balances often not reimbursed by partners, with no evidence of any follow-up by the Representation. *The Representation explained that during 2004 the office was seriously constrained with the lack of a Senior Programme Officer for most of the year, which had led the Project Control Officer to assume*

the functions of Programme Officer, thus affecting programme monitoring.

Supply Management

- Due to technical difficulties, AssetTrak had not been updated since mid-2003. Consequently, the procurement, transfer and disposal of assets had not been reflected in the system. *The Representation has now fixed the technical obstacles, and a physical inventory is being undertaken to update AssetTrak.*
- The private use of UNHCR assets had not been properly monitored, with no reimbursement by staff for their private use of UNHCR vehicles or for the use of generators. *The Representation has now initiated recoveries.*

Security and Safety

• OIOS assessed that the Representation did not fully comply with Minimum Operational Security Standards (MOSS), as none of the UNHCR Offices was equipped with metal detectors, surveillance cameras, smoke detectors, and alarm system. *The Representation has indicated that smoke detectors and demarcated fire escape routes are being installed, and that MOSS requirements would be fully complied by September 2005.*

Administration

- In the areas of administration and finance, the UNHCR Representation in Guinea generally complied with UNHCR' regulations, rules, policies and procedures. However, some improvement and strengthening of internal controls were required.
- Outstanding Value Added Tax (VAT) of some US\$ 0.5 million identified in the 2002 audit had still not been refunded by the Government of Guinea (GOG), despite tremendous efforts by the Representation. In the meantime, the outstanding VAT has increased to over US\$ 1.5 million and it has become even more unlikely that the GOG will make a refund. *The Representation, together with other UN agencies have set up a special team to look at the VAT issues and come up with practical recommendations. The Representation also indicated that approval has been obtained from GOG, with effect from April 2005, to procure fuel and lubricants locally under a special custom arrangement, which should allow UNHCR to receive reimbursement of VAT on oil products on a quarterly basis.*
- Internal controls over medical evacuations (MEDEVAC) needed to be strengthened; there were a significant and unusual number of MEDEVAC cases, which had triggered an investigation from a special mission from the UNHCR Medical Service. OIOS found that incorrect application of DSA rates in connection with some MEDEVAC cases had resulted in an overpayment of at least US\$ 11,000. *The Representation confirmed the overpayment and indicated that recovery would be made from the concerned staff*.
- Accounts receivable needed better monitoring and timely actions by the Representation. Unsettled travel advances and salary advances originating as far as 1997 were still in the books with no evidence of actions to recover or reconcile the amounts.

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I. INTRODUCTION

1. From 1 to 21 February 2005, OIOS conducted an audit of UNHCR's Operations in Guinea. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. OIOS reviewed the activities of the UNHCR Representation in Guinea and its Sub-Office (SO) in N'Zerekore and Field Office (FO) in Kissidougou and of six of its implementing partners.

2. OIOS' previous audit of UNHCR in Guinea was conducted in March/April 2002. The review focused on 2000 and 2001 activities, covering expenditure of US\$ 57 million. In 2002, OIOS had assessed the UNHCR operation in Guinea as seriously deficient for the period under audit. The lack of adequate programme monitoring and flawed procurement procedures by implementing partners had resulted in UNHCR suffering exchange losses estimated at over US\$ 0.6 million. Also, due to the lack of proper procedures, the Branch Office failed to timely claim the reimbursement of VAT exceeding US\$ 0.5 million.

3. Guinea was still vulnerable to security conditions in neighbouring countries, compounded with a complex political situation, social tensions and economic recession. In 2003 UNHCR provided basic assistance to 185,000 refugees in Guinea of whom over 111,000 (89,000 Liberians, 15,000 Sierra Leoneans and 7,000 Ivorians) received basic assistance and services in camps. In addition, close to 28,000 Sierra Leonean refugees were assisted to return home through voluntary repatriation.

4. UNHCR's aim is to improve the quality of asylum through prompt access to refugee status determination procedures, provide continued care and maintenance for camp-based refugees and vulnerable members of the urban refugee caseload, and facilitate the voluntary repatriation of Liberian and Ivorian refugees.

5. The findings and recommendations contained in this report have been discussed with the officials responsible for the audited activities during the Exit Conference held on 21 February 2005. A summary of preliminary audit findings and recommendations was shared with the Representative in February 2005, on which comments were received in March 2005. A draft audit report was sent to the Representative and to the Director of the Bureau for Africa in May 2005. The comments were received in June 2005 and are reflected in this final report. *The Representative has accepted all of the audit recommendations made and is in the process of implementing them.*

II. AUDIT OBJECTIVES

6. The main objectives of the audit were to evaluate the adequacy and effectiveness of controls to ensure:

- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations;
- Safeguarding of assets; and
- Compliance with regulations and rules, Letters of Instruction and Sub-agreements.

III. AUDIT SCOPE AND METHODOLOGY

7. The audit focused on 2003 and 2004 programme activities under projects 03 & 04/AB/GUI/RP/351, 03 & 04/AB/GUI/CM/200, 03 & 04/AB/GUI/CM/202, 04/AB/GUI/CM/203, and 03/AB/GUI/EM/130 with expenditure of US\$ 20.6 million. Our review concentrated on the activities implemented by Gesellshaft fur Technische Zusammenarbeit (GTZ) - expenditure of US\$ 3.8 million; International Federation of Red Crescent (IFRC) - expenditure of US\$ 1.1 million - Bureau National de Coordination pour les Refugies (BNCR) - expenditure of US\$ 0.8 million - International Rescue Committee (IRC) - expenditure of US\$ 1.7 million - Action by Churches Together (ACT) - expenditure of US\$ 1.7 million. We also reviewed activities directly implemented by UNHCR with expenditure of US\$ 4.1 million.

8. The audit reviewed the administration of the Representation, SO N'Zerekore, and FO Kissidougou with administrative expenditure totalling US\$ 4.5 million for the years 2003 and 2004 and assets with an acquisition value of US\$ 26.1 million and a current value of US\$ 7.2 million. The number of staff working for the UNHCR Operation in Guinea was 190 against 221 approved posts. This included staff on regular posts, United Nations Volunteers, and staff on mission.

9. The audit also followed up on findings and recommendations made in the 2002 OIOS audit regarding outstanding Valued Added Tax (VAT) of some US\$ 560,000 (over US\$ 1.2 million as at 31 January 2005), and unsupported expenditure by implementing partner IRC totalling some US\$ 91,000.

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

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Review of the Implementing Partners

11. For the six partners reviewed, reasonable assurance could be taken that UNHCR funds were properly accounted for and disbursed in accordance with the Sub-agreements, except for BNCR, the governmental partner, and ACT, an international NGO. For BNCR the final SPMR did not reconcile to their books of accounts, and was overstated by some US\$ 46,000. ACT's books of account also did not reconcile to the final SPMRs, and were overstated by some US\$ 15,000. For these two partners, no assurance could be taken that UNHCR funds were properly controlled, managed and reported on. OIOS assessed that internal controls of the other partners reviewed were generally in place and operating effectively.

12. Audit certificates had not been received from any of the international NGOs for the years 2003 and 2004. While for the year 2003 a copy of their global audit certificates would suffice, the Representation still needed to follow-up and obtain them. For those projects implemented in 2004 onwards, given that their value was over US\$ 300,000 the Representation should have engaged an audit firm early on to carry out the audit in

accordance with IOM/61-FOM/61 dated 8 December 2003. For BNCR, an audit certificate was available for 2003, with however a qualified opinion, due to the unreliability of their accounting system. *The Representation indicated that international NGOs have been requested to provide their 2003 audit certificates, and that an audit firm has been selected for the audit of 2004 sub-projects implemented by both local and international implementing partners, which would commence by the end of June 2005.*

(a) <u>GTZ</u>

13. The accounting systems and internal controls established by GTZ were satisfactory. The final SPMRs were satisfactorily reconciled to GTZ' summary records. Improvement in the documentation supporting local and international procurement was however necessary.

14. In 2003 and 2004 GTZ procured spare parts internationally for a total of some US\$ 830,000. OIOS found that no payment documents were available locally to support these payments. The charges made to UNHCR were solely based on journal entries made at GTZ Headquarters, with no evidence that the cost of spare parts actually received matched the amounts charged in the SPMRs. In one instance, OIOS noted that GTZ had charged some US\$ 60,000 to the SPMR with no basis since their HQ's journal entries had not been received. *The GTZ Finance Officer indicated that this was an estimate, and that adjusting entries would be made when the actual figure is obtained from their Headquarters.*

15. OIOS reviewed the automated inventory control system (called PMS) to ensure that the cost of spare parts charged to UNHCR can be related to the cost of spare parts actually received by GTZ. We found significant discrepancies between the costs charged to the financial reports and the value of spare parts actually received. For example, in 2004, the purchase costs of spare parts included in the final SPMR were US\$ 470,000 but according to the stock records, the value of the spare parts received in 2004 was only some US\$ 10,662. For 2003 the stock records showed that the cost of spare parts received was US\$ 672,034 while only US\$ 358,000 was reported in the SPMRs. Overall, for both years (2003 and 2004), a total of US\$ 828,000 was charged to the final SPMRs while the actual receipt per the PMS system was only US\$ 682,696, a discrepancy of US\$ 145,304, which could possibly have arisen due to different cut-off between financial periods. *GTZ has not yet given explanations on the reason for the discrepancy*.

16. Similarly, OIOS found that the transfers of spare parts by GTZ' main office in Conakry did not reconcile with the records maintained by their field offices in Kissidougou and N'Zerekore. For example, according to the PMS system, spare parts worth some US\$ 454,000 were transferred to the two field offices while the PMS system maintained by those field offices (Kissidougou and N'Zerekore) only showed spare part receipts of some US\$ 446,000, a discrepancy of US\$ 8,000. This meant that GTZ' tracking of receipts, stockholding and use of spare parts was inadequate and could not be relied upon. OIOS recommended that GTZ ensure that spare part receipts and onward transfers are properly and timely reconciled. *The UNHCR Representation indicated that GTZ has been requested to consolidate and reconcile their receipts of spare parts, and that evidence of the action taken would be forwarded to OIOS.*

17. GTZ did not always use competitive bidding for its procurement, and the documentation supporting the payments was often incomplete. In Kissidougou, GTZ procured goods and services totalling some US\$ 200,000, out of which some US\$ 110,000

was paid to a single supplier without competitive bidding. Also, under the 2003 sub-projects US\$ 80,000 was paid to two contractors on the basis of contracts only. There were no invoices, and no certification that the services were satisfactorily rendered or delivered was available. *The UNHCR Representation explained that GTZ has been formally requested to implement the competitive bidding process, and that this issue would be followed up to ensure compliance.*

18. In the area of workshop, OIOS found a total of 44 vehicles grounded in Kissidougou and N'Zerekore alone, mainly due to the lack of spare parts. According to GTZ, the lack of spare parts originated from the fact that the relevant budget line was initially meant for servicing programme vehicles only, but that UNHCR later instructed that administrative vehicles be serviced as well, without however increasing the budget for this purpose.

19. In the area of warehousing of Non-Food Items (NFIs), OIOS found that, although segregation of duties was achieved, no supervisory controls were in place, as evidenced by several shortages of NFI items, with noticeable attempts to conceal stock entries and the relevant bills of lading. *GTZ indicated that they would look into the matter, and that appropriate disciplinary measures would be taken*.

(b) <u>IFRC</u>

20. While IFRC had an automated accounting system called Field Return, regrettably the system was not put in use for various reasons, including the accountant's inability to operate the system. Instead, summary ledgers were obtained from Lotus tables, which served as a basis for the preparation of the financial reports. The final 2003 SPMRs were satisfactorily reconciled to IFRC's records.

21. OIOS found that the banking arrangements were inadequate, with UNHCR instalments sent to IFRC's Head Office in Conakry (now relocated in Senegal), which in turn would send signed cheques (based on monthly requirements) to their field offices. The main reason was to exercise better fund controls, but this was actually not achieved, and might unnecessarily delay project implementation. OIOS noted that no cash verification was carried out and that cash disbursements were not recorded in the cashbook on a daily basis. In some instances, the cashbook showed negative balances, which the accountant attributed to IFRC's pre-financing of UNHCR activities. *The UNHCR Representation explained that IFRC has been requested to establish a panel of bank signatories in Kissidougou and N'Zerekore, and to strengthen their internal control systems; the Representation also indicated that they would follow-up closely to ensure compliance.*

(c) <u>IRC</u>

22. IRC uses a well-established accounting system called *Sunsystem*, which provides for adequate control mechanisms, and allows the identification of UNHCR projects through a unique identifier. The 2003 and 2004 final SPMRs were satisfactorily reconciled to IRC's ledgers.

23. OIOS found that a transfer of an instalment of US\$ 7,000 to IRC's Headquarters in New York was not reflected in IRC's records. *The Representation indicated that IRC has managed to trace the US\$7,000, which had been wrongly transferred to IRC Burundi.*

24. OIOS followed up on an outstanding 2002 audit recommendation, which pertained to unsupported expenditure incurred by IRC's Headquarter in New York, and totalling US\$ 91,000. The justifications subsequently provided to the Representation included staff travel costs totalling some US\$ 35,000, with discrepancies with regard to both the individuals who travelled and the nature of the travel (it was not evident that it was for UNHCR-funded activities). *The Representation confirmed that a further review of some of the supporting documentation provided by IRC showed that a part of them were not related to UNHCR projects. On this basis the Representation questioned the full amount of US\$ 91,000 identified by OIOS in 2002 and recommended full recovery. The Representation also indicated that this issue is being taken up with the Head of Desk/Director of the Africa Bureau for further action.*

Recommendation:

The UNHCR Bureau for Africa should request IRC to refund a total of US\$ 91,000 representing unsubstantiated IRC Headquarters' charges to UNHCR projects in Guinea (Rec. 01).

(d) <u>BNCR</u>

25. OIOS found that the 2004 SPMR submitted by BNCR was overstated by some US\$ 46,000 of which some US\$ 41,000 pertained to salaries. Internal controls were weak, with BNCR's Director being the sole bank account signatory, cash custodian, and authorizing/approving officer. Budget monitoring was also weak, with significant budgetary overruns of over 60 percent at the budget line level, with no authorization from UNHCR. OIOS recommended that BNCR refund the amount overstated in the final SPMR, and that adequate internal controls be put in place.

26. The Representation indicated that a number of actions have been taken to correct the deficiencies noted, including stronger internal controls, computers and accounting software, and capacity building for finance staff. The Representation also explained that BNCR has been requested to submit corrected final SPMR and to provide comments on the overstatement and recovery of US\$ 46,000, and that intervention would be sought from the Ministry of Foreign Affairs if no reply is received by July 2005.

Recommendation:

The UNHCR Representation in Guinea should ensure that corrected final SPMR is submitted by BNCR, and that the amount overstated under sub-project 03/AB/GUI/CM/201 (b) and totalling some US\$ 46,000 is recovered (Rec. 02).

(e) <u>ACT/LWF</u>

27. ACT maintained its accounting system in Excel tables until 2004, at which time new accounting software (ACCPAC) was introduced, with the 2003 records converted to the new system. Each UNHCR sub-project was assigned a unique identifier. However, OIOS found that for 2004 no trial balance was prepared, and that several of the larger expenditures were obtained from manual calculations. For 2003 no summary listing was available, hence although the documentation supporting the expenditure was available these could not be

related to the SPMRs, hence these could not be reconciled.

28. OIOS found that the 2004 SPMRs were overstated by some US\$ 15,000 stemming from unsupported expenditures, most of which related to salaries. OIOS recommended that these amounts be recovered. *The Representation indicated that ACT/LWF has been requested to justify the overstatement, and that recovery would be made through deduction from 2005 instalment payments to the partner if no proper justifications is provided by September 2005.*

29. Procurement by ACT/LWF lacked transparency, as its Director was solely responsible for selecting suppliers, with no evidence of any competitive bidding. In one instance, a payment of some US\$ 6,000 to a Governmental agency (DNEF) was not supported by any documentation. *The Representation explained that ACT/LWF has been requested to ensure that adequate procurement procedures are implemented. The Representation further explained that the partner would be requested to reimburse their payment of US\$ 6,000 if the relevant supporting documentation cannot be provided by September 2005.*

Recommendation:

The UNHCR Representation in Guinea should, unless proper supporting documentation can be produced, recover from ACT/LWF some US\$ 15,000 representing overstatement of salary and maintenance costs under subproject 04/AB/GUI/CM/202 & 203 (a). In addition, some US\$ 6,000 should be recovered, representing an unsupported payment to DNEF (Rec. 03).

B. Other Programme Issues

30. OIOS assessed that project financial monitoring was carried out, though some improvement was required. Project verification reports were not always available, sub-project unspent balances often not reimbursed by partners, with no evidence of any follow-up by the Branch Office.

31. The Representation explained that during 2004 the office was seriously constrained with inadequate programme staff, and that for most of the year, there was no Senior Programme Officer or Programme Officer. They also explained that the situation had led the Project Control Officer to assume the functions of Programme Officer, which had consequently affected programme monitoring. The Representation further indicated that, following a centralization of programme officer, programme financial monitoring has been intensified and improved significantly.

32. OIOS found that in 2003 the Sub-Office N'Zerekore had directly undertaken several construction related activities, which involved substantial procurement. Such direct implementation should and could have been avoided given that partners with more expertise and cost effectiveness were also implementing similar activities. In relation with the construction, OIOS noted several instances of non-compliance to UNHCR procurement procedures, such as not adhering to the delegated threshold, competitive bidding not evidenced, lack of transparency in the selection process, inadequate supporting documentation, etc. OIOS recommended that, in future, direct implementation be limited to

activities for which no viable implementing partner can be found. *The Representation explained that with the envisaged centralization of programme management, self-implementation had been significantly reduced especially at the Sub-Office level, and that the Branch Office was strictly monitoring the very limited cases of self-implementation.*

C. Supply Management

(a) Procurement

33. UNHCR procurement procedures were generally adhered to, though some improvement was still warranted. For example, the filing system was inadequate, with no permanent LCC file maintained, no formal minutes of meetings systematically prepared, etc. Also, internal requests of goods or services were sometimes made informally. OIOS pointed out that written and signed Requisition forms were essential in ensuring the authenticity and validity of the requests and proper authorization, and recommended that the form be used for future requests.

34. The Representation explained that a filing system has now been established to keep the minutes of the meetings of the Local Contract committee, and that files have been duplicated, with one set kept at the Committee Secretariat and the other at the Supply Section. They further indicated that the Purchase Request form has been established for all purchases above US\$ 2,500, and that these would be filed together with the completed Purchase Order form for record purposes.

35. With regards to procurement of services, improvement was also required. For example, the LCC delegated threshold for local procurement (US\$ 100,000) was disregarded when contracting for travel services with a travel agency to whom a total of some US\$ 447,000 was paid in 2003 and 2004. In addition, OIOS noted that the travel agency had not been selected on a competitive basis. *The Representation explained that in September 2004 UNDP, acting on behalf of United Nations Agencies in Guinea, recommended the use of the same travel agency*. In OIOS' view, however, given the significant payments involved, the matter should still be formally submitted to the Headquarters Committee on Contracts. *The Representation indicated that actions were being taken accordingly*.

36. There was also a need to establish and implement a harmonized approach for procurement by field offices with clearly defined ceilings for local procurement. OIOS found that in 2003 and 2004 the ceiling for presentation to the LCC was US\$ 20,000 at the Branch Office and at the Sub-Office N'Zerekore, while it was only US\$ 10,000 at the Sub-Office Kissidougou, with no clear reasons for this.

(b) Fleet management

37. The performance of GTZ in the area of workshop was assessed as less than satisfactory. In 2002 GTZ' under-performance led the Representation to discontinue the use GTZ' workshop in the capital city, and to outsource the repair and maintenance services to various private garages. However, OIOS assessed that the main garage being actually used not only lacked the formal structure and capacity to maintain the UNHCR fleet, but also did not keep records of vehicle maintenance history, thus making difficult any cost analysis. Further, while parts were sourced from GTZ to a limited extent, in most cases the parts were procured directly from the local market, often of inferior quality. The use of these locally

acquired spare parts might drastically increase the frequency and cost of repairs.

38. The Representation explained that the lack of adequate/efficient private workshops in Conakry is compelling to consider discussions with GTZ to establish another workshop in Conakry to service UNHCR vehicles, as already done at Sub and Field Offices. They also indicated that the discussion being held with GTZ to establish a garage in Conakry was still at its initial stages and would be considered more seriously before the end of 2005.

39. OIOS found that as many as 75 vehicles were grounded at GTZ' workshops (for years for some of them) due to the lack of spare parts, pointing out to poor planning for spare part requirement and procurement. There was no evidence that an inventory control system was in place with pre-determined re-ordering levels to meet the fleet requirements. Also, the review of the job cards showed that many vehicles had been repaired very frequently, which raised questions about the quality of the work done. *The Representation indicated that many of the grounded vehicles are old and depreciated, and that following recommendations by the LAMB/HAMB these are being disposed of.*

40. Although a workshop common to the UN is being envisaged, OIOS believes that more should be done to strengthen the capacity of the GTZ workshop given their experience and performance in other countries in the region. OIOS recommended that the Representation consider hiring a consultant to carry out an in-depth and critical review of GTZ workshops, and to come up with practical solutions. *The Representation explained that a UNV mechanical engineer had been recruited and has already started work, and it is expected that this would improve on the management of the fleet of vehicles.*

(c) Asset management

41. OIOS found that the AssetTrak system had not been updated since June 2003, due to technical difficulties. Consequently, several assets were procured, disposed of, or transferred to partners, without being reflected in the records. *The Representation explained that the technical problems encountered with the AssetTrak system had been solved, and that a physical inventory would be immediately conducted with the system updated accordingly.*

42. OIOS reviewed a recent LAMB submission to the Headquarters Asset Management Board (HAMB), with a recommendation to dispose of 10 vehicles, whose repair costs were found too high. Five of these vehicles were not fully depreciated; hence the HAMB had requested that additional justification be given on the reasons for disposal. OIOS noted that those five vehicles were in fact accident vehicles, and that the required GS-46 had not been completed and submitted, except for one vehicle. OIOS recommended that cases of loss or damage of UNHCR property be properly followed-up and reported on the GS-46s and GS-45s. *The Representation explained that a follow-up was being made to have the GS46/GS45 forms completed for the vehicles involved in accidents.*

43. OIOS found that the private use of UNHCR assets was not properly monitored and paid for. While local staff were paying a flat monthly fee of some US\$ 13 for transportation provided to and from work, several international staff members were using UNHCR vehicles regularly for commuting from office to their private residences since taking up their assignment (from five to seven months), with no reimbursements made nor was this private use properly accounted for in the vehicle logbooks. Also, many of the international staff having generator sets at their disposal had not paid the required monthly rental fee of US\$ 80.

44. The Representation explained that a monthly reimbursement rate has been calculated for the private use of UNHCR vehicles, with staff informed accordingly. They further indicated that international staff in receipt of UNHCR generators had been requested to pay the stipulated rental fee of US\$ 80, and that the amount is being deducted from their salary with immediate effect including retroactive unpaid rental fees.

D. Security and Safety

45. Guinea currently has different security phases for its offices countrywide. The Branch Office in Conakry is under Security Phase I whereas the Sub-Office N'Zerekore and Field Office Kissidougou are under Security Phase III, each office having a separate security plan last updated in December 2004. According to a mission report from the Director and Deputy United Nations Security Coordinator on 28 July 2004, UNHCR is fully MOSS compliant in the areas of telecommunications, security plan, individual staff, building security/access and vehicles.

46. However, OIOS assessed that improvement was still needed in all three UNHCR offices. At the Branch Office in Conakry there were no surveillance cameras, smoke detectors or any alarm system. The Sub-Office in N'Zerekore and Field Office in Kissidougou had no metal detectors to screen visitors. In Kissidougou, the division of the two office blocks causes security concern, given that a public road separated the two blocks, and that the road was being used as parking space. *The Representation indicated that OIOS recommendation on this issue was noted with appreciation and that efforts would be made to ensure full MOSS compliance before 30 September 2005*.

E. Administration

47. In the areas of administration and finance, the UNHCR offices in Guinea generally complied with UNHCR's regulations, rules, policies and procedures. There was a need, however, to strengthen certain controls.

(a) Financial management

48. VAT was still an unresolved issue, despite commendable documented efforts from the Branch Office to obtain the reimbursement. As at January 2005, some US\$ 1.2 million was outstanding in the VF accounts. OIOS discussions with UNICEF, however, revealed that VAT reimbursements can actually be secured as long the claim is lodged in a timely manner in accordance with the procedures, which requires that the exemption be requested well in advance and on a quarterly basis, based on supplier's pro forma invoices and allocated quotas.

49. The issue of VAT was also raised during the meeting of Representatives of the UN system in Conakry, to which OIOS was invited, held on 4 February 2005 at the Branch Office. It was felt that a concerted effort by all the UN agencies had yet to be made. The UNHCR Representative raised the issue of outstanding VAT on fuel (over US\$ 1.5 million). Other representatives felt that it is very unlikely that the Government of Guinea would reimburse such a significant amount, given their current budgetary constraints, and the lack of assistance from the donor community.

50. Reference was also made to a letter dated 15 June 2004 from the Ministry of Finance and addressed to the UNHCR Representation in Conakry, which had stated that Article 34 of

the Vienna Convention does not require/anticipate VAT exemption for taxes levied on local purchases, and denied the VAT reimbursement to UNHCR (while at the same time granting it to UNICEF and UNDP). It was decided that the OMT would immediately be tasked to further look into the VAT issue, and to inform OIOS accordingly.

51. The Representation indicated that the OMT special VAT team report would be shared with OIOS as soon as it is made available. They further explained that despite their numerous attempts the Office could not get the Government of Guinea (GOG) to commit itself to reimburse the outstanding VAT to UNHCR. The Representation indicated, however, that approval has been obtained from GOG, with effect from April 2005, to procure fuel and lubricants locally under a special custom arrangement, which should allow UNHCR to receive reimbursement of VAT on oil products on a quarterly basis.

(b) <u>Receivables</u>

52. The receivable accounts had not been monitored since at least 2002, and this had resulted in many outstanding amounts. This pertained to undue SOLAR payments, unsettled travel claims, salary advances not recovered, etc. For example, OIOS had identified during the 2002 audit some US\$ 22,000 for undue SOLAR payments, and recommended recovery. But the review showed that there was a remaining balance of some US\$ 6,000 that still needed to be recovered. Also, travel advances, some which originated from 1997 and totalling some US\$ 28,000 had still not been settled. There were also a number of salary advances made at field offices since 2002, which were never recovered from the concerned staff.

53. The Representation indicated that Headquarters had been requested to provide the latest situation on advances paid under their suspense account. However, while awaiting the latest status of receivables for proper actions, OIOS believes that the undue SOLAR payments (on any portion thereof) identified in the 2002 audit report should be deducted from the concerned staff members without any further delay. *The Representation explained the concerned staff were being identified and that DHRM would be requested to take action accordingly.*

(c) Medical Evacuation (MEDEVAC)

54. OIOS found that a significant number of medical evacuations had taken place (about 25 per cent of staff), with costs totalling some US\$ 385,000 in 2003 and 2004, with a steep increase of cases in 2004 (over 80 per cent) compared to 2003. There were no apparent reasons for this sudden increase; OIOS noted that most of the MEDEVAC cases were attributable to local staff members, with some of them having several evacuations during the period under review. In connection with this situation, OIOS was informed of an investigation from a special mission from the UNHCR Medical Service in May 2004, the result of which had not been released at the time of the audit. *The Representation informed that the JMS' mission report has now been released, with confirmation that medical facilities in Guinea are inadequate.*

55. OIOS noted that the Representation did not keep on file the MEDEVAC control sheet as normally required for audit purposes. Our review showed that a number of cases were not in compliance with the relevant rules and regulations regarding MEDEVAC, and that DSA entitlements had been incorrectly calculated, resulting in an overpayment of some US\$ 11,700. In one instance, a DSA payment totalling some US\$ 25,000 was made to a staff

member though no hotel receipts were available to support the 100 per cent DSA rate. Hence, the 50 per cent rate should have been applied, as no hospitalization was involved.

Recommendation:

The UNHCR Representation in Guinea should recover DSA overpayments for MEDEVAC totalling close to US\$ 12,000 from the staff members concerned (Rec. 04).

56. The Representation explained that, based on OIOS' findings, a recalculation was made of the MEDEVAC DSA payments and that it was established that the concerned staff were indeed overpaid. The Representation subsequently indicated that the respective staff members have been informed of the overpayment, and that the amounts would be recovered from their salaries/entitlements if they do not respond by 30 June 2005. OIOS has taken note of the action and has recorded the recommendation as in-progress. OIOS will close the recommendation upon receipt of supporting documents that the amounts in question have actually been recovered.

(d) Medical Insurance Plan

57. The screening of medical claims submitted by UNHCR staff was carried out by the UNDP Medical Doctor for accuracy and reasonableness, while compliance with the MIP rules and procedures was verified at the Representation. OIOS assessed that the screening was satisfactorily carried out. However, neither the Representation, nor the UNDP Medical Doctor had compiled a list of hospitals, physicians, pharmacies, nor as a list of typical services and prices, which should have been distributed to staff. This is particularly important, as many local staffs travelled from the field to the capital city to attend hospitals/physicians. OIOS recommended that a list of recommended hospitals and pharmacies be established, with favourable financial arrangements that would serve as a benchmark for the maximum reimbursable amount for each claim. *The Representation explained that the United Nations Medical system has been contacted to assist in establishing a list of recommended hospitals and pharmacies, and that the financial arrangements negotiated would be used as a benchmark for the reimbursement of claims.*

(e) Staff management

58. Although Guinea is UNHCR's largest Operation in West Africa, with by far the highest number of staff (approximately 200 filled posts), the Human Resources Officer post was cut in 2004 after the last HRO had been reassigned to Geneva in July 2004. As a result, a Human Resources Assistant is performing the functions of a Human Resources Officer. There was no proper handover from the outgoing HRO. In OIOS' view, this situation constitutes a major weakness, which could have a negative effect on human resources management.

59. The Representative explained that until 2003 the office was well structured, but towards the end of 2003, key positions were downgraded (for example from Assistant Representatives to Senior Posts, and that the Programme was decentralized in 2003-2004, which in his view was not quite a good idea, as this did not provide for proper overview. The Representative also explained that the office was facing two challenges, one of which was the winding up of the operation, with further reduction of staff expected in 2006.

(f) <u>Communications</u>

60. The controls over the use of telecommunication equipment were assessed as inadequate. OIOS noted that Headquarter' telephone PIN codes had been assigned to local staff, UNVs, consultants, etc, which allowed them to access the PAMA system and to make direct international calls, with billings and recoveries by Headquarters. In OIOS' view, there were serious risks of misuse. We found that several of the concerned local staff were actually no longer working for UNHCR, and that no actions had been taken to cancel the PIN codes. According to the Finance Officer, no local staff had ever made any payments under this scheme, and indeed OIOS did not find any such payments in the records. Given that the telephone invoices were sent directly to the PIN code holders, we could not exclude that the relevant bills remained unsettled.

61. The Representation explained that an email message was forwarded to the Telecom Section in Geneva to cancel PIN codes allocated to local staff and that the bills for the period January 2003 to January 2005 have now been received. The concerned staff members have been requested to identify their private calls and make payments accordingly. The Representation further said that a billing machine has been installed and that an additional control measure is being introduced.

V. ACKNOWLEDGEMENT

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

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