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OIOS AUDIT OF UNHCR OPERATIONS IN CENTRAL AFRICAN REPUBLIC

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OIOS AUDIT OF UNHCR OPERATIONS IN CENTRAL AFRICAN REPUBLIC
(AR2004/111/01)

EXECUTIVE SUMMARY

In June 2004, OIOS conducted an audit of UNHCR Operations in Central African Republic. The audit covered activities with a total expenditure of US\$ 2.7 million in 2002 and 2003. Audit Observations were shared with the Representative in July 2004, on which comments were received by July 2004. *The Representative has accepted most of the recommendations made and is in the process of implementing them.*

Overall Assessment

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

Programme Management

- For the two partners reviewed, reasonable assurance could be taken that UNHCR funds were properly accounted for and disbursed in accordance with the Sub-Project Agreements.
- For Cooperazione Internazionale (COOPI), OIOS assessed that the internal control systems needed improvement. Proper procedures for the authorization and approval of expenditure procedures were absent, there was a lack of segregation of duties and procedures were not in place to track and clear advances.
- OIOS was unable to review the 2002 accounts of Commission Nationale pour les Réfugiés as the records had been looted in early 2003. The external audit conducted prior to this had revealed serious control deficiencies including unsupported expenditure and the lack of adequate books of accounts. The Representation had adequately addressed the shortcomings, and OIOS assessed that the accounting and internal control systems in place were now satisfactory.
- Project financial and performance monitoring was generally adequate for the projects implemented in the Central African Republic. However, the Representative did not provide an adequate level of commitment and staffing resources to the Chad emergency that had a serious effect on that operation, for which OIOS had already reported on.

Supply Management

- UNHCR procurement procedures were generally adhered to, albeit there were a few instances of non-compliance. Spending authority assigned to staff was not always complied with, and the documentation supporting the procurement activities was sometimes absent or inadequate.
- AssetTrak had not been operational since the discontinuation of the former database system MINDER, and no other records were kept of UNHCR's assets. *Subsequent to the audit, the Representation carried out a physical inventory and has started updating the asset records.*

Security and Safety

- OIOS assessed that compliance with the UN security requirements was satisfactory. All staff had completed the mandatory Security Training.

Administration

- In the areas of administration and finance, the UNHCR Representation in Bangui generally complied with UNHCR's regulations, rules, policies and procedures and controls were operating effectively during the period under review. Some improvements and strengthening of internal controls, however, were required.
- The Representation did not implement the UNHCR Delegation of Financial Signing Authority; consequently proper segregation of duties was not achieved. Budgetary controls were found deficient, and resulted in over-expenditure of some US\$ 88,000 above the authorized budget and obligation level.
- The applicable rules for the payment of SOLAR were not always adhered to. OIOS found one case where a staff member was in receipt of both SOLAR and DSA. *A recovery has been instigated.*
- Reimbursements were not made by staff members for the cost associated with the use of UNHCR vehicles for private purposes. *The Representation implemented appropriate recovery procedures.*
- Account payables and receivables, aggregating some US\$ 41,000, had been outstanding for an extended period, and needed to be addressed. *Action was being taken.*

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I. INTRODUCTION

1. From 31 May to 11 June 2004, OIOS conducted an audit of UNHCR's Operations in Central African Republic. The audit was conducted in accordance with the Standards for the Professional Practice of Internal Auditing, promulgated by the Institute of Internal Auditors and adopted by the Internal Audit Services of the United Nations Organizations. OIOS reviewed the activities of the UNHCR Representation in Bangui and of two of its implementing partners.

2. OIOS' previous audit of UNHCR in Central African Republic (CAR) was conducted in September 2001. The review focused on 1999 and 2000 project and administrative expenditures totalling US\$ 4.3 million. The main concerns related to programme matters, whereby little reliance could be placed on the SPMRs submitted. It was found that expenditures were overstated by more than US\$ 100,000, and charges totalling some US\$ 55,000 could not be supported. In administration, the controls over asset management and fuel management were inadequate.

3. Armed conflicts between loyalist forces and rebels in the Democratic Republic of Congo (DRC) led to a massive influx of refugees, estimated at some 10,000. Despite the numerous peace agreements between the various factions, the situation in DRC continues to deteriorate, which has prevented any repatriation activities. The country also hosts some 40,000 refugees, mainly from Rwanda and Sudan. UNHCR provides partial assistance in the areas of health and education. UNHCR's projects are emphasising on self-reliance projects such as agriculture, fisheries and vocational training.

4. The findings and recommendations contained in this report have been discussed with the officials responsible for the audited activities during the exit conference held on 11 June 2004. Three Audit Observations outlining the audit findings and recommendations were shared with the Representative in July 2004. The replies, which were received in July 2004, are reflected in the audit report. *The Representation has accepted most of the audit recommendations made and is in the process of implementing them.*

II. AUDIT OBJECTIVES

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

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

III. AUDIT SCOPE AND METHODOLOGY

6. The audit focused on 2002 and 2003 programme activities under projects 02 & 03/AB/CAR/LS/401, 02 & 03/AB/CAR/LS/402, and 02 & 03/AB/CAR/LS/403 with expenditure of US\$ 1.5 million. Our review concentrated on the activities implemented by

Cooperazione Internazionale (COOPI) – expenditure of US\$ 428,000 and Commission Nationale pour les Réfugiés (CNR) – expenditure of US\$ 332,000. We also reviewed activities directly implemented by UNHCR with expenditure of US\$ 750,000.

7. The audit reviewed the administration of the Representation in Bangui with administrative budgets totalling US\$ 1.2 million for years 2002 and 2003 and assets (as recorded on Headquarters AssetTrak) with an acquisition value of US\$ 660,000 and a current value of US\$ 143,000. The number of staff working for the UNHCR Operation in Central African Republic was 13. This included staff on regular posts, staff on temporary assistance, and staff on mission.

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

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Review of Implementing Partners

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

10. The audit certificates covering UNHCR sub-projects were available for COOPI and unqualified audit opinions were expressed. For CNR, an adverse audit opinion was expressed on the 2002 accounts but they received an unqualified opinion on the 2003 accounts.

(a) Cooperazione Internazionale

11. The controls over financial management were assessed as deficient. There was a lack of segregation of duties as the same person was responsible for all of the stages in the expenditure cycle from authorising and approving expenditure to recording payments in the books of account. Payment vouchers were not used and the documentation supporting expenditure was often inadequate. Proper procedures to track and account for operational cash advances were not established; advances were not immediately recorded in the books of account and they were sometimes accumulated/commingled with previous advances making their clearance and follow-up difficult. Similarly, salary advances were not properly accounted for, and it was not evident that they were always recovered. OIOS already raised many of these issues after the 2001 audit, but adequate action had not been taken. *As recommended by OIOS, COOPI agreed on the need to strengthen internal controls, but disagreed on the need to segregate duties, as they were assigned to an expatriate staff member.* OIOS would highlight this as a serious weakness in internal controls. If UNHCR continues to work with this partner, then close and detailed project financial monitoring is required until the internal controls have been strengthened.

(b) Commission Nationale pour les Réfugiés

12. OIOS could not review the 2002 sub-projects implemented by CNR with expenditure of some US\$ 117,000, as the CNR office had been looted and the relevant records and supporting documents had been lost. An external audit carried out prior to the looting revealed serious shortcomings, including the lack of adequate books of accounts, weak internal controls,

numerous discrepancies and a lack of documentation to support the expenditure. OIOS noted that the Representation had taken appropriate steps to address the shortcomings, and to recover unsupported payments totalling some US\$ 18,000. In addition, new staff were hired in 2003, and new accounting software was installed. OIOS assessed that the internal controls in place were now satisfactory.

13. OIOS noted that commitments of some US\$ 5,000 were included in the final 2003 SPMRs for unpaid salary taxes that had been outstanding for several months. OIOS highlighted that unsettled commitments should not have been charged as expenditure in the final SPMR, but also raised the concern that the delay of such payments could lead to penalties, which could have otherwise been avoided. *The Representation indicated that the outstanding 2003 taxes have now been paid.*

B. Other Programme Issues

14. OIOS assessed that project financial monitoring was generally adequate. OIOS found, however, that the Representation in Bangui with regard to its responsibilities over the Chad emergency had not dedicated the required number of staff, with the appropriate skills necessary to cope with the size and nature of the emergency. For example, an Associate Protection Officer was tasked the responsibility to set up the office, and even though the Officer had no proven experience in administration and finance, he was assigned these responsibilities. Consequently, OIOS found that the internal controls were seriously deficient. The audit findings of the Chad Operation have already been reported by OIOS. *The Representation explained that it was very difficult to monitor the Chad operation from CAR, given the lack of reliable flight connections, the poor communication system, and the bad security situation. The Representation also explained that an understanding was reached with the ERT Leader in N'Djamena that close monitoring from Bangui was not practical, and that they would need to primarily rely on their own judgement to deal with the various operational issues. They also pointed out that, despite these difficulties, technical assistance was provided in terms of staff sent on mission as often as needed.* It is OIOS' view that if monitoring of the Chad emergency operation from CAR was not practical or feasible, the Representation should have promptly brought this to the attention of the Bureau for Africa.

C. Supply Management

(a) Procurement

15. A Local Committee on Contract was established and the UNHCR procurement procedures were generally adhered to, except for a few instances of non-compliance. For example, in April 2003, several vehicles were procured locally at a cost of US\$ 120,000 (which was above the delegated procurement threshold of US\$ 100,000), without seeking the approval of the CoC at Headquarters. Also, in July 2003, a payment of some US\$ 60,000 was made to a construction company for the renovation of the office building, but there was no evidence that the contractor was selected competitively. In various other instances, the documentation supporting the expenditure was found inadequate or lacking. *The Representation stated they would observe the delegated threshold for procurement and comply with UNHCR procurement procedures.*

(b) Asset management

16. Serious problems were identified in the area of asset management. AssetTrak was not operational and had never been implemented since the discontinuance of MINDER. This was despite the fact that a staff member had received formal AssetTrak training in a neighbouring country. No records were maintained of the assets held by UNHCR or partners. The number and value appeared to be significant and included assets such as trucks, vehicles, computers and high value telecommunication equipment. No physical inventory had been carried out, and most of the assets had not been bar-coded, including those with implementing partners. *The Representation indicated that a physical inventory was being carried out and the AssetTrak system was being updated.*

17. In the absence of an asset database and in the absence of 'Right of Use Agreements' for assets held by implementing partners, OIOS was concerned that assets transferred in 2002 from former implementing partners to other partners might not have been fully accounted for. Further, in March 2003 several vehicles, computers, and other valuable items were stolen or completely vandalised. While GS-45s were prepared for the stolen vehicles, no action had been taken for other lost equipment such as computers and printers. *The Representation indicated that the relevant GS-45s would be prepared shortly and submitted to the HAMB.*

D. Security and Safety

18. Although UNHCR was not fully MOSS compliant, most of the security systems and procedures were in place. Staff members had completed the mandatory Security Training, and were familiar with the contents of the security issues including the security plans and emergency procedures.

E. Administration

19. In the areas of administration and finance, OCM generally complied with UNHCR's regulations, rules, policies and procedures and controls were operating effectively during the period under review. However, certain internal controls needed to be strengthened.

20. OIOS found that a staff member obtained SOLAR payments totalling some US\$ 3,800 as well as DSA during his absence on mission from the Special Operations Area, which lasted about two months. OIOS recommended that the overpayment of SOLAR be recovered. *The staff member has agreed to reimburse the overpayment, of which US\$ 2,000 has already been repaid, and the remaining balance of US\$ 1,200 would be refunded in August 2003.*

21. OIOS assessed that in 2003, budgetary controls were deficient and as a result, the Representation spent some US\$ 88,000 over the authorized budget and obligation level. *The Representation explained that adequate budgetary controls would be put in place to ensure that this does not reoccur in the future.*

22. Significant account payables and receivables, aggregating to some US\$ 41,000, had been outstanding over an extended period, with no evidence that any action had been taken to clear them. Many of the receivables (some US\$ 22,000) pertained to unsettled travel advances, some of which related to staff still in CAR, and for whom recovery should have been made one month after completion of the travel. Other staff members had left the country without submitting their

travel claims. This needs to be followed up with their current duty stations. *The Representation stated that action has now been taken to clear the outstanding accounts by the end of 2004.*

23. The Representation did not fully comply with the provisions of the UNHCR Delegation of Financial Signing Authority. Appropriate segregation of duties was not achieved, and spending limits were not established for staff members who exercised financial signing authority. *The Representation indicated that the Delegation of Signing Authority chart would be established shortly.*

24. The applicable rules and regulations for the private use of UNHCR vehicles by staff members had not been adhered to. Certain staff had been using UNHCR vehicles to commuting to and from their residence without reimbursing the costs associated with this. Logbooks were also not completed. OIOS recommended that the Representation determine the amounts due by staff members and seek recoveries accordingly. *The Representation explained that an appropriate amount has been calculated on the basis of applicable UN Circular for CAR, and that recoveries would be made from the concerned staff.*

V. ACKNOWLEDGEMENT

25. I wish to express my appreciation for the assistance and cooperation extended to the auditor by the staff of UNHCR and implementing partners in Central African Republic.

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