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OIOS AUDIT OF UNHCR OPERATIONS IN SENEGAL

Auditor:

Alpha Diallo



Office of Internal Oversight Services
UNHCR Audit Service

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EXECUTIVE SUMMARY

In October 2004, OIOS conducted an audit of UNHCR Operations in Senegal. The audit covered activities with a total expenditure of US\$ 1.9 million in 2002 and 2003. Exit Conference Notes were shared with the Regional Representative in October 2004, on which comments were received by October 2004. *The Regional Representative has accepted most of the recommendations made and is in the process of implementing them.*

Overall Assessment

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

Programme Management

- For the partner reviewed, Office Africain pour le Development et la Cooperation (OFADEC), reasonable assurance could be taken that UNHCR funds were properly accounted for and disbursed in accordance with the Sub-Project Agreements.
- The accounting system of OFADEC, a local implementing partner, did not fully reflect the Sub-Project expenditures. Some US\$ 70,000 in 2003 was incurred at the field level but had not been recorded and consolidated in the accounting system, or independently verified or authorised. Internal controls over procurement and income generating activities required improvement. *Action has been taken by the Regional Representation and the partner to strengthen internal controls.*

Supply Management

- OIOS assessed that procurement procedures were generally satisfactory, but recommended that the contract with the present travel agent be re-tendered due to the significant increase in travel cost from US\$ 52,000 in 2002 to over US\$ 150,000 in 2004. Once this exercise is completed, the selected supplier should be submitted to the Headquarter Committee on Contracts for approval.
- Data recorded on AssetTrak was incorrect and OIOS noted that there were a number of

erroneous values recorded on the system. OIOS identified some assets with a book value almost 20 times that of the acquisition value. Attention was required to correct these erroneous entries to ensure AssetTrak data is reliable.

Security and Safety

- OIOS assessed that the Regional Representation generally complied with the UN security requirements. All staff had completed the mandatory CD-ROM security training, had recently attended additional security training and conducted an evacuation training exercise.

Administration

- In the areas of administration and finance, the Regional Representation generally complied with UNHCR's regulations, rules, policies and procedures and controls were operating effectively during the period under review. Some improvement and strengthening of internal controls were required.
- DSA totalling some US\$ 20,000 was paid to a staff member whose medical evacuation (MEDEVAC) was approved retroactively. Appropriate documentation was not in place and in OIOS' opinion the Regional Representation did not fully comply with UNHCR's guidelines and procedures. OIOS is continuing to follow-up this issue in Geneva with DHRM and the Medical Service.
- Salary advances were made to both local and international staff members on a recurrent basis, without adhering to the applicable rules and procedures. *The Regional Representation stated that mistakes were made and the relevant rules were misinterpreted.*
- Internal controls should be strengthened in the area of communications. There was no telephone tracking system or procedures for the recovery of private international calls since 2002. After a recent review, it was found that one international staff member was required to refund over US\$ 6,000. *The Regional Representation has adequately addressed the issue.*

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I. INTRODUCTION

1. From 11 to 19 October 2004, OIOS conducted an audit of UNHCR's Operations in Senegal. 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 Regional Representation in Dakar and of its implementing partner OFADEC.
2. OIOS' previous audit of UNHCR in Senegal was conducted in October and November 1999. The review focused on 1997 and 1998 project and administrative expenditures totalling US\$ 1.8 million. The audit findings related to poor planning of fund-raising activities, deficiencies in partner's accounting systems and a lack of budgetary control.
3. The Regional Representation in Senegal coordinated operations in Gambia, Guinea Bissau, Mali and Senegal. Some 23,000 refugees reside in Senegal, mainly from Mauritania, Liberia, Rwanda, Burundi and Sierra Leone. UNHCR provides extended financial assistance to vulnerable refugees and it is implementing the DAFI scholarship programme. Also, a number of refugees are benefiting from UNHCR's micro-credit scheme with the aim to stimulate small-scale trade.
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 19 October 2004. Exit Conference Notes outlining the audit findings and recommendations were shared with the Representative in October 2004. The replies, which were received in October 2004, are reflected in the audit report. *The Regional Representative 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/AB/SEN/LS/402, 03/AB/SEN/WAF/202 and 03/AB/SEN/WAF/450 with expenditure of US\$ 809,000. Our review concentrated on the activities implemented by UNHCR's only implementing partner, Office Africain pour le Development et la Cooperation (OFADEC) – expenditure of US\$ 562,000. OIOS also reviewed activities directly implemented by UNHCR with expenditure of US\$ 247,000.
7. The audit reviewed the administration of the Regional Representation in Dakar with administrative budgets totalling US\$ 1.1 million for years 2002 and 2003 and assets with a

recorded acquisition value of US\$ 2.9 million and a current value of US\$ 2.7 million. The figures however were unreliable due to numerous erroneous entries. The number of staff working for the UNHCR Operation in Senegal was 21. This included staff on regular posts and staff on temporary assistance.

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 partner: OFADEC

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

10. Audit certificates for 2002 and 2003 were available, however, qualified opinions were expressed mainly due to the lack of physical inventory reports. *This issue was subsequently addressed.*

11. OFADEC's accounting records did not fully reflect the expenditure incurred and charged to the final SPMRs. Expenditure incurred at the field level, totalling some US\$ 70,000 in 2003, had not been recorded and consolidated in the accounting system. Instead, OFADEC's Field Officer maintained parallel manual accounting records. These records had not been subject to any independent verification, nor had the expenditure been properly authorised and approved. *The Regional Representation indicated that this has been discontinued, and funds sent to the field are recorded in a suspense account until there are fully and adequately justified and approved.*

12. In the health sector, OIOS assessed that controls over the procurement and distribution of drugs should be strengthened. The doctor was fully responsible for all the procurement and inventory activities, this included the signing of Purchase Orders as well as the receipt and distribution of drugs to patients. When the bills were received, they were paid without any proper review and approval procedures. OIOS highlighted this as a potential risk area and recommended that internal controls be strengthened to ensure procurement, inventory and the subsequent distribution of drugs be appropriately segregated and payments be properly approved. *The Regional Representation explained that appropriate internal controls have been established, with adequate segregation of duties observed.*

13. For income-generating projects, internal controls needed to be strengthened and the management of the activities required to be improved. For instance, in 2002 from a budget of US\$ 6,000, loans to three refugees absorbed almost half of the budget, considerably reducing the amount available for others, and overall reducing the number of potential beneficiaries. No repayment was made by any of the beneficiaries, and their whereabouts were not known. *OFADEC explained that for 2004 a reasonable ceiling has been established (some US\$ 150) for each refugee.*

B. Supply Management

(a) Procurement

14. No major procurement activities were undertaken during 2002 and 2003. UNHCR procurement procedures were generally adhered to and a Local Committee on Contracts (LCC) was established. Nonetheless, OIOS recommended that the contract with the current travel agent be re-tendered, given that the expenditure for travel significantly increased over the last two years. For 2003, the office paid some US\$ 128,000, and for the ten months in 2004, the office had already disbursed some US\$ 152,000, as compared to US\$ 54,000 in 2002. This increase is due to Dakar being the Administrative Place of Assignment for many staff in the region.

15. Payments to the travel agent exceeded the LCC threshold, and given the expected future travel trend, the current contract should be re-tendered and submitted to the Headquarters Committee on Contracts (CoC) for approval. Elements such as the provision of free pick-up and drop-off services should be included in the tender, particularly as significant overtime is regularly paid to drivers for late hours on airport duty. *The Regional Representation explained that some travel agents were recently consulted to comparing services offered.* In OIOS' view, however, this is not sufficient and the Regional Representation should launch a proper competitive bidding exercise, and once the results have been obtained, submit it to the CoC for approval.

Recommendation:

- The UNHCR Regional Representation in Senegal should undertake a competitive bidding exercise for travel services. Once the results are obtained it should be submitted to the Headquarters Committee on Contracts for approval. Also to reduce the amount of overtime and unsociable working hours expected of drivers the offer should include elements such as free pick-up and drop services (Rec.01).

(b) Asset management

16. The AssetTrak system was generally up-to-date, with physical inventories periodically carried out. OIOS found, however, that asset data could not be relied upon, as in many instances the book value of an asset was higher than the acquisition value. For example, AssetTrak dated 11 October 2004 recorded a vehicle with an acquisition value of US\$ 21,942 while its net book value was US\$ 438,778 (almost 20 times). Other examples can be cited. Moreover, non-special items with a value of less than US\$ 1,500 had been recorded. OIOS recommended that the value of assets be properly reflected in AssetTrak and non-special items with a value of less than US\$ 1,500 be excluded. *The Regional Representation indicated that corrective action would be taken to delete items with a value of less than US\$ 1,500.*

Recommendation:

- The UNHCR Regional Representation in Senegal should conduct an in-depth review of AssetTrak data to ensure the acquisition and net book value of assets are properly recorded in the system (Rec. 02).

C. Security and Safety

17. The Regional Representation was almost MOSS compliant. Staff members had completed the mandatory CD-ROM security training, had recently attended additional security training and conducted an evacuation exercise. CCTV cameras had been installed, although not yet operational.

D. Administration

18. In the areas of administration and finance, the Regional Representation generally complied with UNHCR's regulations, rules, policies and procedures and controls were operating effectively during the period under review. Certain internal controls, however, needed to be strengthened.

19. In July 2004, the Regional Representation paid DSA totalling some US\$ 20,000 to an international staff member for MEDEVAC in Dakar. The staff member's Standard Assignment Length (SAL) in Guinea had ended on 15 September 2003, and she had been a SIBA (Staff in between Assignments) since that date and was awaiting her next assignment.

20. The staff member was travelling to the USA, where she had chosen to stay awaiting an assignment (due to security reasons in the staff members recognized place of home leave). The staff member transited in Dakar and while she was there she sought medical attention. As her condition did not quickly improve she cancelled her trip to the USA, and decided to stay in Dakar. The then Human Resources Assistant at the Regional Representation decided to cancel her initial Travel Authorisation (PT8) to the USA and to request approval for MEDEVAC in Dakar. The MEDEVAC was retroactively approved in April 2004 and covered the period from 15 September 2003 through 4 April 2004.

21. At this point without questioning the need for extended MEDEVAC (over six months), OIOS found that no PT8 was issued in respect of the staff member's MEDEVAC travel, and that no travel claim was submitted, even though required for the calculation of the final entitlement. OIOS observed that only an Excel table was prepared, showing an advance of some US\$ 1,300; the amount initially paid, and the final calculation of DSA entitlement of some US\$ 20,000. The DSA advance should have been indicated on the back of the Travel Authorisation, and the final DSA entitlements calculated on the basis of the PT.8 and the Travel Claim submitted by the staff member. According to IOM 85/01- FOM 83/01 dated 12 November 2001, "Evacuees must be in possession of a signed PT.8 prior to undertaking MEDEVAC. Travel that has been undertaken on oral instructions should be confirmed as soon as possible by the issuance of a PT.8". The MEDEVAC travel claim was settled without complying with this provision.

22. OIOS is continuing to review this case and is following-up on the issue with DHRM and UNHCR's Medical Service at Headquarters.

Recommendation:

- The UNHCR Regional Representation in Senegal should review the decision made by the former Human Resources Assistant to pay to a staff member on medical evacuation DSA totalling US\$ 20,000

without a proper Travel Authorisation (PT.8) and Travel Claim. The Representation should ensure that such a weakness in internal control does not re-occur (Rec. 03).

23. The rules and procedures for salary advances to international staff members were not complied with. From 2002 to 2004, a senior international staff member obtained several salary advances totalling some US\$ 13,500. The established guidelines for the approval of advances of salaries for international staff at field duty stations clearly list the specific circumstances under which they may be approved. In this case, the reason/need for the advance was not given, except for a rental advance of US\$ 7,500. For the rental advance, OIOS noted that such an advance was not required under the terms and conditions of the lease and therefore, should not have been approved.

24. Similarly, the applicable rules for salary advances to local staff members were largely disregarded. The majority of staff were been given emergency and special salary advances (representing three-month salary) on a recurrent basis. In most cases, the emergency nature of the advances was not indicated. For example, in March 2003 a staff member was granted a three-month salary advance of US\$ 3,200. The justification given was simply to meet unforeseen commitments, and the same reason was given the following year for a further advance of US\$ 3,500. One staff member received a US\$ 5,000 advance for the purchase of furniture. *The Regional Representation explained that these instances of non-compliance were mistakes and misinterpretations of the relevant rules and that appropriate actions have been taken to explain them to staff. They further indicated that no payment of this kind would be made again.* In OIOS' view, UNHCR's rules and procedures are fairly specific on the requirements for advances and it is difficult to understand how they could be so easily misinterpreted.

25. In the absence of a UNHCR representation in Mali, monthly operational advances (of up to some US\$ 8,500) were made to a staff member stationed in Mali. OIOS noted that the documentation supporting the expenditure was not reviewed or approved by an officer with delegated authority. The amounts were recorded directly as expenditure in FMIS. Moreover, the new operational advances were made even though the previous ones had not been accounted for. At the time of the review, over US\$ 30,000 was outstanding pertaining to various advances. *The Regional Representation explained that they had noticed that some expenditures and the relevant supporting documentation had not been properly handled. Efforts were being made to clarify the situation and to record expenditures, which had not been processed. The large outstanding amount was due to the repatriation operation for which a higher level of funds was required. The Regional Representation further indicated that the Team Leader in Bamako has been informed that proper controls needed to be established.*

26. Mobile telephones with international access (and roaming facility) were given to all international staff. The mobile telephones were used more frequently than the landline, resulting in expenditure of some US\$ 45,000 in 2003 and 2004. Despite this, and until recently, there were no procedures for tracking calls or for the recovery of private international calls. A recent review of private calls made since 2002 showed that at least US\$ 8,500 was due to be recovered, of which over US\$ 6,000 was due from one staff member alone. *The Regional Representation explained that appropriate measures had been taken to recover the costs of private calls and that all outstanding amounts would be reimbursed by end of December 2004.*

27. The 2004 Performance Appraisal Reports (PAR) had not been initiated for staff members. Objectives setting had not been discussed, despite the fact that the end of the reporting period was only two months away. Consequently, mid-term progress reviews had not been conducted. *The Regional Representation did not provide any reason for the non-compliance, but indicated that PARs were under review and would be up-to-date by the end of 2004.*

V. ACKNOWLEDGEMENT

28. I wish to express my appreciation for the assistance and cooperation extended to the auditor by the staff of UNHCR and implementing partner in Senegal.

Egbert C. Kaltenbach, Chief
UNHCR Audit Service
Office of Internal Oversight Services