

INTERNAL AUDIT DIVISION

AUDIT REPORT

UNHCR Regional Office in Argentina

24 January 2008

Assignment No. AR2007/151/3

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: United Nations High Commissioner for Refugees

DATE: 24 January 2008

REFERENCE: AUD- *IAD:08-00902*

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

SUBJECT: **Assignment No. AR2007/151/3 - UNHCR Regional Office in Argentina**

OBJET:

1. I am pleased to present the report on the above-mentioned audit, which was conducted in April 2007.

2. Based on your comments, we are pleased to inform you that we will close recommendations 4, 5, 7, 9 and 10 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. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as critical (i.e., recommendation 6), in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. L. Craig Johnstone, Deputy High Commissioner, UNHCR
Ms. Judy Cheng-Hopkins, Assistant High Commissioner, UNHCR
Mr. Colin Mitchell, Controller and Director, DFAM, UNHCR
Mr. Philippe Lavanchy, Director, Bureau for the Americas, UNHCR
Mr. Cristian Koch-Castro, Regional Representative in Argentina, UNHCR
Ms. Maha Odeima, Audit Coordinator, UNHCR
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
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).

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EXECUTIVE SUMMARY

UNHCR Regional Office in Argentina

OIOS conducted an audit of UNHCR Regional Office in Argentina in April 2007. The overall objective of the audit were to assess the adequacy and effectiveness of internal control 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. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

OIOS assessed within the scope of the audit the internal controls of the Regional Office in Argentina by reviewing a sample of records relating to the activities implemented during 2005 and 2006 with a total expenditure of \$3.3 million. The Operation's system of internal control was assessed as above average. The operation was well run, and although some weaknesses in the application of internal controls were identified, no issues came to our attention to indicate that the weaknesses concerned were sufficiently critical to compromise the overall system of internal control.

The accounting and budgetary control systems by implementing partners should be improved. OIOS found that financial records were not always kept up-to-date and budgets were not always respected.

For one partner, OIOS recommended that a mechanism be established to periodically disclose guarantees of \$41,000 deposited in banks for UNHCR beneficiaries renting apartments to ensure the amounts were properly monitored and, once released, re-employed in UNHCR activities. UNHCR confirmed that these funds are fully under the control of the Regional Representation and will be regularly monitored.

The Regional Representation was fairly active in achieving the objectives of the Mexico Plan of Action. OIOS recommended that further efforts be made to develop a strategy on the steps to be taken to implement the plan at the ministerial and local government level of the involved countries.

Project monitoring was not fully effective, especially for projects outside of Argentina. Also, the audit certificate process needs to be improved, as management letters were not systematically issued to identify internal control weaknesses and make recommendations for improvement.

In the area of security and safety, the offices of the Regional Representation were not yet minimum operations safety standards (MOSS) compliant. The Regional Representation had not installed smoke alarm detectors, evacuation drills were not carried out, and procedures for medical evacuation were not clearly established.

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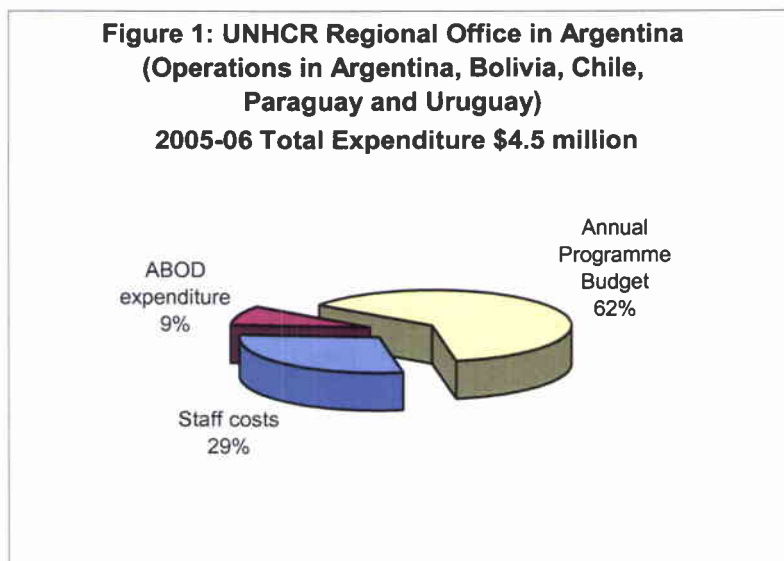
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I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of UNHCR Regional Office in Argentina in April 2007. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. The Regional Office covers UNHCR operations in Southern South America, i.e. Argentina, Bolivia, Chile, Paraguay and Uruguay. The main objectives of the operation are strengthening the protection framework by promoting national refugee laws and monitoring regional migratory harmonization process; pursuing the recommendations of the participatory assessment exercise in the framework of the gender/age/diversity mainstreaming; strengthening national and regional protection networks particularly in crucial border areas; and continuing to develop local fundraising strategy focusing on private donors and governmental contributions.

3. In 2005 and 2006, a budget of \$4.5 million was allocated including staffing costs administered by Headquarters against which expenditure of \$4.5 million was reported (see Figure 1). At the time of the audit, the number of staff working for the UNHCR Operation in Argentina was 15.



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

II. AUDIT OBJECTIVES

5. The major objective of the audit was to assess the adequacy and effectiveness of internal control to ensure:

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

III. AUDIT SCOPE AND METHODOLOGY

6. The audit reviewed 2005 and 2006 programme activities under projects 05&06/AB/SLA/LS/401 and 05&06/AB/SLA/RE/500 with expenditure of \$2.7 million. OIOS reviewed the 2005 and 2006 activities implemented by Fundacion Comision Catolica Argentina de Migraciones (FCCAM) with expenditure of \$996,000, Hebrew Immigrant Aid Society (HIAS) with expenditure of \$227,000, and La Fundacion Mygrantes y Refugiados en Argentina (MYRAR) with expenditure of \$130,000. OIOS reviewed certain administrative functions of the office of the Regional Representation in Argentina. The administrative budgets totalled \$400,000 for 2005 and 2006 and the office has responsibility for managing assets with an acquisition value of \$230,000 and a current value of \$47,000.

7. The audit methodology comprised: (a) assessment of risks and effectiveness of controls; (b) a review of policies and procedures, administrative guidelines and analysis of data available from Management Systems Renewal Project (MSRP) and other sources; (c) interviews with responsible personnel; and (d) observations and verification of processes, as appropriate.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Review of implementing partners

8. For the three partners reviewed by OIOS, reasonable assurance could be obtained that UNHCR funds were properly accounted for and disbursed in accordance with the Sub-Project Agreements. OIOS assessed that in general internal controls of all partners were in place, although some improvement was needed, as outlined below.

Fundacion Comision Catolica Argentina de Migraciones (FCCAM)

9. FCCAM's accounting records were not regularly updated and OIOS assessed that the system used could not be fully relied upon, as difficulties were encountered in establishing the correctness of the expenditures reported to UNHCR.

10. In 2005, due to gaps in project planning, FCCAM exceeded the available budget for 'Individual/Family Support' by \$6,000 and instead of requesting the 2005 budget to be changed, the costs were charged to the 2006 sub-project. OIOS

requested the Regional Representation to review the expenditure of \$6,000 and decide whether or not it should be accepted. OIOS also found that some salary costs charged exceeded the actual amounts paid to staff. For three staff salaries reviewed the amount charged exceeded the budget by \$2,000, albeit there was one case where the amount charged was less than that budgeted. OIOS suggested that a review of salary payments be made to obtain assurance that amounts budgeted for salaries were not used to cover unbudgeted costs. FCCAM informed OIOS that they were in the process of up-grading their accounting system.

Recommendations 1 and 2

(1) The UNHCR Regional Representation in Argentina should ensure that Fundacion Comision Catolica Argentina de Migraciones installs a reliable accounting system that enables expenditure transactions to be properly tracked and consolidated for reporting to UNHCR.

(2) The UNHCR Regional Representation in Argentina should: (a) review the 2005 expenditures of Fundacion Comision Catolica Argentina de Migraciones charged to the 2006 sub-project to determine whether or not they are *bona fide* UNHCR expenditure; and (b) review the salary budgets and subsequent charges to make sure that any over and under payments are justified. Any costs erroneously charged should be recovered.

11. *The UNHCR Regional Representation accepted recommendation 1 and stated they expect the new accounting system to be operational during the first quarter of 2008. Recommendation 1 remains open pending confirmation by the UNHCR Regional Representation that it is satisfied that FCCAM's accounting system can be relied upon and the final reports received are complete.*

12. *The UNHCR Regional Representation accepted recommendation 2 and provided Notes for the File of the work conducted. The expenditures were determined as bona fide UNHCR related costs, except for a mistake that was made in recording some of the salaries. This is being further followed-up. Recommendation 2 remains open pending receipt of documentation from UNHCR on the results of the additional review of FCCAM's records with regard to salary costs.*

Hebrew Immigrant Aid Society (HIAS)

13. OIOS' review of HIAS' accounting system showed that although reliable financial reports could be generated for the partner's internal use, the allocation of expenditure was not in accordance with UNHCR budget codes, and as a result there were difficulties to reconcile expenditure recorded in the system to the Sub-Project Monitoring Reports (SPMRs). Also, proper accounting cut-off procedures had not been established to ensure that expenditures were charged to the correct

project period. HIAS informed OIOS that the accounting system would be enhanced in 2007.

Recommendation 3

(3) The UNHCR Regional Representation in Argentina should ensure that the Hebrew Immigrant Aid Society improves its accounting and internal control systems and procedures by using UNHCR budget codes and by establishing proper accounting cut-off mechanisms.

14. *The UNHCR Regional Representation accepted recommendation 3 and stated the HIAS has agreed to enhance its accounting system.* Recommendation 3 remains open pending confirmation by the UNHCR Regional Representation that it is satisfied that FCCAM's accounting system has been enhanced.

15. HIAS is a non-profit organization. However they did not obtain a tax exemption from the Government on cheque payments. For comparison purposes, once FCCAM had received an exemption, the bank charges imposed on cheque payments and charged to the UNHCR sub-project budget decreased by 80 per cent from \$9,000 to \$2,000. OIOS has been informed that the Regional Representation has followed up this issue with the Government with the aim to seeking a tax exemption.

16. Some 40 per cent of the total expenditures reported in the 2006 SPMR were for rental/housing allowances for beneficiaries. Of this expenditure, \$41,000 represented rental guarantees that had been deposited in a bank and therefore, the amount had not been disbursed in accordance with UNHCR's normal procedures. In OIOS' opinion, the Regional Representation should establish a mechanism to monitor the deposits to ensure that once released, they are subsequently re-employed in UNHCR programme activities. OIOS suggested that consideration be given to providing a list of bank deposits (guarantees) as part of the final SPMR. This will allow these amounts to be monitored and their eventual use properly disclosed.

Recommendation 4

(4) The UNHCR Regional Representation in Argentina should ensure that rental/housing guarantees for UNHCR beneficiaries deposited in banks by Hebrew Immigrant Aid Society are monitored, and once they are released there is evidence that the funds have been subsequently employed in UNHCR's programme activities.

17. *The UNHCR Regional Representation accepted recommendation 4 and stated that the guarantee fund is fully controlled by UNHCR and administered by a Notary. HIAS has been requested to provide regular reports on the use of the guarantee fund.* Based on this response, recommendation 4 has been closed.

Migrantes y Refugiados en Argentina

18. OIOS found that the 2006 SPMR narrative report could have been better structured to clearly link the level of achievements with the sub-project objectives. Historical data on delays in repayment by refugees and cases of insolvency was provided only at the request of OIOS. Also, a comparison of the narrative report with the sub-project objectives found that the actual rate of implementation against indicators was 57 per cent for the number of new beneficiaries during 2006, 29 per cent for the number of commercial outlets opened and 35 per cent for the creation of jobs. In response to the draft report, the Regional Representation agreed that there were discrepancies between MYRAR's final achievements and the initial targets set. This was because the project description had not been revised during the year to changing priorities.

B. Other programme issues

19. The Regional Representation was fairly active in achieving the objectives of the Mexico Plan of Action. In 2006, new refugee laws were passed in Argentina and Uruguay and good progress was made in relation to the resettlement programmes in Argentina and Chile. Also the Government of Chile committed to give \$200,000 per year directly to implementing partners. Agreements containing firm commitments were signed with the Municipality of Buenos Aires, with the Ministry of Social Development of the Republic of Argentina and lately with Manpower, Incorporated in Buenos Aires. In addition, the Ministry of Planning of the Republic of Chile provided a grant equivalent to \$80,000 for income generating activities.

20. Further efforts were needed, including the development of strategic documents on the steps to be taken at the ministerial and the local government level of the countries in the region. In order to reflect the level of cooperation achieved and the specificity of the countries, they might be sub-divided into two groups: Argentina and Chile on the one hand and Bolivia, Paraguay and Uruguay on the other.

Recommendation 5

(5) The UNHCR Regional Representation in Argentina should build upon the achievements reached while implementing the Mexico Plan of Action and develop a strategy defining steps to be taken at the ministerial and local government level.

21. *The UNHCR Regional Representation accepted recommendation 5 and referred to the progress already made in the implementation of the Mexico Plan of Action. Also, with regard to the development of a strategy, this has been done and outlined in the Country Operations Plan for 2008-2009. Based on this response, recommendation 5 has been closed.*

22. OIOS found that project financial and performance monitoring was not fully effective and further emphasis should be placed on this, especially for projects outside Argentina. The Letters of Instruction for sub-projects implemented in the region are addressed to the Regional Representative, and therefore UNHCR Argentina is directly responsible for managing and monitoring regional projects. OIOS observed that the monitoring reviews conducted locally were not sufficiently in-depth, and the ones of the countries under the responsibility of the Regional Representation were not reviewed. OIOS noted that the Senior Regional Programme Officer visited the various countries in the region, but the Officer did not have time to perform any financial monitoring. Also, for the reviews done, there were no detailed monitoring reports giving recommendations for improvement.

23. OIOS acknowledges that considering the present level of staff the Regional Representation may not be able to sufficiently perform project monitoring. Therefore, consideration needs to be given to: (a) strengthening the capacity of the Programme Unit; (b) outsourcing some monitoring responsibilities to local auditing firms; and (c) seeking assistance from the UNHCR Administration Unit in the office from staff with a financial background.

Recommendation 6

(6) The UNHCR Regional Representation in Argentina should improve its monitoring of implementing partners financial and other activities.

24. *The UNHCR Regional Representation accepted recommendation 6 and stated that to strengthen project monitoring, it has created a position of Programme Assistant. The funds available for travel however are insufficient to visit the countries under its responsibility, and as a result, as suggested by OIOS, the terms of reference of the selected local auditors will be expanded to carry out in-depth reviews. Recommendation 6 remains open pending receipt of documentation from the Regional Representation showing that it has implemented the proposed project monitoring enhancements.*

25. The audit certification process could be improved by more closely following up on the results of the audits. The audit certification process is a useful management tool, but was not effectively used by the Regional Representation. For instance, while the terms of reference for the external audits were in accordance with UNHCR's procedures, the external auditor did not comply with them and for three audits reports reviewed (two in Argentina and one in Chile), no management letters were provided to highlight any internal control weaknesses of partners. The issuance of a management letter is mandatory for each audit and the external auditors should be expected to fulfill their obligations as outlined in the terms of reference. The Regional Representation should also ensure that any recommendations made in the management letters are followed up and implemented.

Recommendation 7

(7) The UNHCR Regional Representation in Argentina should ensure that the external auditors selected to conduct audits of local implementing partners issue a management letter outlining the internal control weaknesses found and making recommendations for improvement.

26. *The UNHCR Regional Representation accepted recommendation 7 and stated they will make sure with the selected external auditor that management letters are issued. A copy of the management letter for the audit of HIAS was submitted to OIOS, and the revised terms of reference for the partner Vicaria was provided. Recommendation 7 has been closed based on the steps taken by the UNHCR Regional Representation.*

D. Private sector fundraising

27. In 2005, for private sector fundraising, the Regional Representation had built a small donor base and had established channels for the receipt of donations through banks and credit card companies. In OIOS' opinion, this activity needed new impetus, as there was no annual plan including measurable financial goals and timeframes for return on investment. There was also no medium to long term strategy. OIOS was informed that in the absence of clear guidelines on field offices' responsibilities in private sector fundraising, the Regional Representation found it difficult to develop a comprehensive strategy.

Recommendation 8

(8) The UNHCR Regional Representation in Argentina in conjunction with the Bureau for the Americas should develop a strategy and work plan for private sector fundraising in Argentina.

28. *The UNHCR Regional Representation accepted recommendation 8 and stated that the plan for 2008 is being drafted. The Regional Representation is working with the Division of External Relations in Headquarters on the development of a strategy and work plan for private sector fundraising in Argentina. Recommendation 8 remains open pending receipt of a copy of the finalized strategy and work plan.*

E. Administration

Financial reporting

29. The Regional Representation experienced problems in generating reliable financial reports when MSRP was installed. Technical problems existed with the asset management module, and each time the office made an attempt to generate documents to initiate the disposal of assets (GS-45), the system crashed and the information input was lost. As a result, the required information was

prepared outside MSRP resulting in duplication of work. In response to the draft report, the UNHCR Regional Representation confirmed that there had been adequate support provided from the MSRP team, and although there was some duplication of effort, this was resolved with the assistance of the Asset Management Unit at Headquarters.

30. The monitoring and follow-up of consultancy agreements required enhancement. OIOS found that for one consultant hired, the terms of reference of the consultancy included: (a) maintaining relations with 40 universities in the region; (b) providing support to the protection unit by the provision of training courses to government officials; and (c) reviewing fundraising strategies and preparation of a private sector fundraising work plan. The consultant was paid in full, but the final report provided to OIOS only referred to item (a) of the terms of reference. A private sector fundraising work plan was not prepared, and the required monthly reporting was not done. The Regional Representation stated that items (b) and (c) triggered discussions with the Spanish Cooperation Agency, which will continue in the near future. OIOS accepted the Regional Representation's comments, however it still does not justify why after completing only one part of the contract, the consultant was paid the full amount. If the work on item (a) took longer than expected, this should be justified in writing and attached to the payment voucher.

Recommendation 9

(9) The UNHCR Regional Representation in Argentina should ensure that consultants comply with the stipulated terms of reference for which they have been contracted. If for good reason this cannot be complied with or the terms of reference are changed, this should be properly justified in writing and attached to the payment schedules.

31. *The UNHCR Regional Representation accepted recommendation 9 and stated that they have documented in a Note for the File the reasons for the change in priorities and hence the non-completion of the tasks set-out in the terms of reference. This will be a standard procedure if a similar situation occurs.* Based on this response, recommendation 9 has been closed.

Procurement planning

32. The Regional Representation should improve its planning for procurement. For instance, they procured stationary on a case-by-case basis, which involved a considerable amount of staff time. The possibility to sign a frame agreement with a company chosen through competitive bidding should be considered.

Recommendation 10

(10) The UNHCR Regional Representation in Argentina should study the possibility of combining

**purchases of stationary and signing a frame agreement
in order to achieve economies.**

33. *The UNHCR Regional Representation accepted recommendation 10 and stated that a frame agreement for stationery has been entered into. Based on this response, recommendation 10 has been closed.*

F. Security and safety

34. The Office of the Representation was not minimum operations safety standards (MOSS) compliant. The office did not have smoke alarm detectors, which posed a safety risk, as they are located on the tenth floor of a high-rise building. Additionally, to enhance security, evacuation drills should be carried out, procedures for medical evacuation clearly established, and vehicles equipped with blast resistant film.

Recommendation 11

(11) The UNHCR Regional Representation in Argentina should enhance safety and security to ensure that the office complies with the minimum operations safety standards.

35. *The UNHCR Regional Representation accepted recommendation 11 and stated that additional funds were made available in September 2007, and is in the process of making the necessary enhancements. Recommendation 11 remains open pending confirmation by the Regional Office that it is MOSS compliant.*

V. ACKNOWLEDGEMENT

36. We wish to express our appreciation to the Management and staff of the Regional Representation in Argentina 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	Confirmation that the UNHCR Regional Representation is satisfied that FCCAM has enhanced its accounting system.	First quarter of 2008
2	O	Outcome of the review of FCCAM's staff salary related charges.	Last quarter of 2007
3	O	Confirmation that the UNHCR Regional Representation is satisfied that HIAS has enhanced its accounting system.	Last quarter of 2007
4	C	Action completed.	Implemented
5	C	Action completed.	Implemented
6	O	Confirmation that the UNHCR Regional Representation has enhanced its project monitoring.	First quarter of 2008
7	C	Action completed.	Implemented
8	O	Receipt of a copy of the finalized private sector fundraising strategy.	2008
9	C	Action completed.	Implemented
10	C	Action completed.	Implemented
11	O	Confirmation that the office of the Regional Representation is MOSS compliant.	Last quarter of 2007

1. C = closed, O = open

2. Date provided by UNHCR in response to recommendations.