



INTERNAL AUDIT DIVISION

AUDIT REPORT

UNHCR Operations in South Sudan

UNHCR needs to establish systematic monitoring of operating costs and take urgent steps to address the stockpiling of non-food items

25 September 2008

Assignment No. AR2007/115/02

United Nations  Nations Unies

INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

OFFICE OF INTERNAL OVERSIGHT SERVICES · BUREAU DES SERVICES DE CONTRÔLE INTERNE
INTERNAL AUDIT DIVISION · DIVISION DE L'AUDIT INTERNE

TO: Mr. António Guterres, High Commissioner
A: United Nations High Commissioner for Refugees

DATE: 25 September 2008

REFERENCE: IAD: 08- 01776

for *William Petersen*
FROM: Dagfinn Knutsen, Director
DE: Internal Audit Division, OIOS

SUBJECT: **Assignment No. AR2007/115/02 - Audit of UNHCR Operations in South Sudan**
OBJET:

1. I am pleased to present the report on the above-mentioned audit.
2. Based on your comments, we are pleased to inform you that we will close recommendations 2, 3, 5, 6, 9, 12, 13 and 15 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 high risk (i.e., recommendations 3, 4, 5, 7, and 14) 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
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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

Audit of UNHCR Operations in South Sudan

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

The system of internal control in the areas reviewed was assessed as average. The Operation was adequately run and although the majority of key controls were applied, the application of certain important controls lacked consistency or effectiveness. In order not to compromise the overall system of internal control, timely corrective action by management is required.

UNHCR Operations were vulnerable to change in the number of anticipated returnees, route of return and planned location of reintegration. Sudanese refugees from Uganda did not return in as many numbers as anticipated in the second active season of 2007. Consequently, stocks of non-food items, logistics capacity and staffing of Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) in Yei were underutilized for many months in 2007, and the operation became expensive.

GTZ's operation needed systematic monitoring of staff costs, procurement process, travel expenditure and refugee transportation costs. GTZ engaged more staff than the agreed number without consulting UNHCR and exceeded their budget in travel and other areas. Transportation costs of bringing refugees from Uganda were high due to the uneconomic fleet operation of GTZ. The option of using commercial transport for return of refugees needs to be considered.

The management of non-food items needed urgent attention. Stockpiling of some of these items in Juba and Yei was excessive and, based on the caseload numbers, would last for 8 to 11 years.

In both Yei and Juba, asset records required updating. In Juba, a large number of telecommunication and IT assets were not found in asset records and a physical verification of assets was overdue in Juba. The number of vehicles in the Yei office needed to be brought in line with the scaled down operations.

A liability of \$488,198 came to light when long overdue invoices were received from the World Food Programme (WFP) for air transport services. There was no provision for this in the budget and the delay in paying these invoices nearly caused WFP to refuse to provide UNHCR their air services.

Large sums of operational advances to heads of offices that have since been closed, had not been liquidated for many months and the Sub-Office Yei did not process personal claims for Special Operational Living Allowance Rate (SOLAR) and hazard pay payments in a timely manner.

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I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of UNHCR Operations in Juba and Yei in South Sudan. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
2. The main objectives of the operation are to provide assistance to Sudanese refugees returning from the neighbouring countries like Kenya, Ethiopia and Uganda in safety and dignity in accordance with international standards and to provide them with reintegration support in the Equatorial, Upper Nile and Jonglei States of South Sudan through community based reintegration projects.
3. In 2006 and 2007, a budget of \$20.3 million was allocated against which expenditure of \$17 million was reported as at the end of October 2007 (excluding staffing costs administered by Headquarters). In South Sudan the Representation was working in 6 locations with 20 implementing partners in 2007. At the time of the audit, the number of staff working for the UNHCR operations in South Sudan was 148 against regular posts and 32 United Nations Volunteers (UNV). There were 13 vacant posts.
4. Comments made by UNHCR are shown in *italics*.

II. AUDIT OBJECTIVES

5. The objectives of the audit were to assess:
 - (a) The reliability and integrity of financial and operational reporting as well as information available in Management Systems Renewal Project (MSRP) and other present systems;
 - (b) The effectiveness and efficiency of arrangements for programme management including the monitoring of implementing partners;
 - (c) The safeguarding of UNHCR resources against loss, misuse and damage due to waste, abuse, mismanagement, errors, fraud and irregularities;
 - (d) Compliance with UNHCR regulations and rules, Letters of Instruction and Sub-Project Agreements; and
 - (e) The adequacy of the safety and security management practices and arrangements.

III. AUDIT SCOPE AND METHODOLOGY

6. The audit reviewed the programme activities under projects 06-07/SB/SUD/RP/330 and 06-07/SB/SUD/RP/331 with expenditure of \$9.5
-

million. Records of the implementing partners (IP) Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) and Action Africa Health- International were reviewed, as well as activities directly implemented by Sub-Offices Juba and Yei. The audit also reviewed the administration of the Sub-Offices Juba and Yei for the years 2006 and 2007, and assets with an acquisition cost of \$9.4 million and current value of \$5.6 million.

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

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Programme management

8. The Juba Sub-Office is responsible for implementing the projects in South Sudan and Upper Nile States and monitoring the programme implementation in Central Equatoria by the Sub-Office Yei and Upper Nile region by the Field Office Malakal.

9. The South Sudan refugee operation of UNHCR is complex. It involves return and reintegration of Sudanese refugees, protracted refugee situation (from Ethiopia) and critical security and safety situations over a very spread out operational area. Absence of physical and institutional infrastructure due to prolonged war over twenty years makes the operation even more difficult.

Shifting nature of the programme

10. UNHCR operations in South Sudan are vulnerable to change in number of anticipated returnees, route of return and planned location of reintegration. During 2007, planned return through Yei-Uganda corridor in the second active season did not materialize as Uganda based Sudanese refugees did not register to the expected extent for voluntary repatriation. Besides, Sudanese refugees from Ethiopia preferred reintegration in the Upper Nile and Jonglei States which least benefited from the Community Based Reintegration Projects (CBRPs).

11. Due to a slowdown of refugee movement after the dry season in 2007, non-food items, logistic capacity and GTZ's staffing at Yei remained and the operation became expensive in relation to the refugee caseload. The unwillingness of GTZ to scale down their staff from the budgeted level and reduce travel and operational cost in line with dwindling refugee operations in the second half of 2007 pushed up the operational cost and UNHCR was trying to resolve these issues with GTZ at the time of audit.

12. In Jonglei and Upper Nile States, preparedness of UNHCR to provide CBRP was challenged as IPs capable of implementing CBRP activities were not

easily available. In spite of the large number of IPs (20 in 2007) they were not prepared to implement community service activities.

Recommendation 1

(1) The UNHCR Representation in South Sudan should scale down operations in Yei to reduce programme costs. In Jonglei and Upper Nile States, efforts to locate suitable implementing partners should be intensified to minimize direct implementation in community services sectors.

13. *The UNHCR Representation partially accepted recommendation 1 and stated that the Yei way station will close on 30 June 2008, and the GTZ workshop would be run down and partially transferred to Juba by December 2008. The Representation also stated that direct implementation of community services could not be minimized due to inadequate budget provision to support implementation by IPs for the Return and Reintegration programme and Protection monitoring activities. Recommendation 1 remains open pending receipt of documentation from UNHCR showing the scaling down of operations and reduction in programme costs.*

Post vacancy

14. The problem of post vacancy in crucial positions in the Programme Unit and other positions having impact on programme management was resolved in 2007. The posts of Project Control Officer, Senior Programme Officer and Senior Supply Officer were filled in January, August and September respectively and the Assistant Representative (Operations) joined in June. Programme, logistics, community services and return and reintegration activities were placed under the control of the Assistant Representative (Operations).

Budgetary control

15. The Office faced acute resource problems in the second active season of refugee movement and programme implementation was affected due to shortage of funds. Senior Management remained preoccupied with devising ways to adjust programmes during the third and fourth quarters of 2007.

16. While approving the budget for 2007 for South Sudan, UNHCR Headquarters instructed that the budget would be devised in two phases and the Letters of Instruction (LOIs) were to reflect 60 per cent of project requirements. The spending authority for five projects in South Sudan (Juba) was fixed at \$17.9 million and Sub-Project Agreements for 6 sub-projects were established for \$20.2 million going well over the spending limit. Taking into account the direct implementation expenditure and additional commitments, there was a possible shortfall of \$5 million for 2007. The following weaknesses were noticed in project budgets: estimates of air charter operations did not adequately consider unmet liabilities of previous year; the annual procurement plan was not prepared

and the full impact of travel cost of United Nations Volunteers (UNVs) was not anticipated.

17. The project budget formulation process could also be strengthened since there was no system to formally consider inputs from the Protection and Community Services Units in assessing the capacity of the IPs to deliver proposed activities and reasonableness of staff cost, especially the element of international staff. Similarly, Supply Chain Unit could provide inputs for transportation, fleet management, purchase of non-food items, construction activities, air transport operations, etc.

Recommendation 2

(2) The UNHCR Representation in South Sudan should ensure that, as far as practicable, project submissions and budgets from the implementing partners are examined jointly by Programme, Protection Community Services and Supply Chain Units.

18. *The UNHCR Representation accepted recommendation 2 and stated that since January 2008, the South Sudan operations have adopted a multi-functional team approach to programme planning and management. All relevant sections are consulted and involved in assessment, programme design, implementation and evaluation. This approach will continue to be strengthened throughout the coming years.* Based on the action taken by UNHCR, recommendation 2 has been closed.

Verification of Sub-Project Monitoring Reports

19. Though most of the final Sub-Project Monitoring Reports (SPMRs) for 2006 were verified by end of October 2007, the SPMR of GTZ Sub-Project 06/SB/SUD/RP/330 was yet to be approved due to disagreement over the proposed level of the revised budget. In most cases the IPs did not submit inventory of assets or staffing lists with the final SPMRs for 2006. For 2007, verification of periodic SPMRs for the first and second quarter was still under progress at the time of audit.

Recommendation 3

(3) The UNHCR Representation in South Sudan should ensure that periodic and final Sub-Project Monitoring Reports are reviewed in a timely manner, and inventory of assets and staff lists are obtained from the implementing partners.

20. *The UNHCR Representation accepted recommendation 3 and stated that the examples cited by the audit have been resolved and final SPMRs are now reviewed in a timely manner. Programme and Supply Units now make systematic reviews of IP staff and assets. Comparisons of budget provisions are*

also undertaken. Based on UNHCR's response, recommendation 3 has been closed.

Audit certification

21. Audit certificates for 2005 pertaining to IPs were available on file. For 2006 projects, the office had received the draft audit reports and management letters relating to most IPs but comments on these draft reports were yet to be provided to the external auditor. This delayed the process of finalizing the auditors' reports. This matter needs close monitoring to ensure finalizing the audit process and taking action on the recommendations.

Recommendation 4

(4) The UNHCR Representation in South Sudan should provide its comments on draft audit reports to the external auditors as soon as possible so that the audit reports are finalized and the recommendations are implemented.

22. *The UNHCR Representation accepted recommendation 4 and stated that the draft audit reports have been acted upon and the final certificates are shared with Headquarters. For the IPs (Islamic Relief (UK), South Sudan Relief & Rehabilitation Commission (SSRRC) and International Rescue Committee (IRC), final certificates will be submitted together with 2007 audit certificates by September 2008. Recommendation 4 remains open pending receipt of the missing 2007 audit certificates relating to the three IPs together with information on the major audit recommendations which were implemented.*

Capacity building

23. Twenty IPs were operating in South Sudan in 2007 (24 in 2006). The office took several steps towards IP capacity building by holding workshops and training programmes and quarterly monitoring meetings. In some cases, results of SPMR verification were communicated to IPs in writing. In view of the large number of IPs and overlap in their areas of specialization in some cases, a comprehensive database of the IP competency would facilitate the monitoring.

B. Implementing partners

24. Of the implementing partners reviewed, reasonable assurance could be obtained that UNHCR funds were properly accounted for and disbursed in accordance with the Sub-Project Agreements.

Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)

25. GTZ was the largest IP of UNHCR mainly dealing with logistic activities. They maintained the fleet and warehouses and were pre-qualified in procurement. OIOS mainly reviewed the sub-projects 06 & 07/SB/SUD/RP/330 and 06 & 07/SB/SUD/RP/331.

26. The Representation notified GTZ in August 2007 about serious weaknesses in internal controls in record keeping, the procurement process, expenditure on travel, and construction costs that were identified during the verification of the sub-project expenditures of 2006. OIOS' examination of records of GTZ in Juba and Yei for the quarterly SPMR of project 07/SB/SUD/RP/330 indicated that transactions could be traced to the journals and supporting vouchers. However, in its review of GTZ's records, OIOS observed major weaknesses in the procurement process and control over project expenditures as follows:

- Several cases of purchase transactions were not supported by invoices from suppliers and the supporting documents were internally generated. In some cases, there was no evidence of invitation to bid, and reasons for selecting a higher bidder were not on record.
- In the GTZ office in Yei, disbursement records were not available for verification as these were sent to the Juba office for compilation and consolidation of accounts. Given that no copy of the disbursement records were kept, the field managers of GTZ at Yei could not monitor the progress of expenditure and commitments against the budget lines in a timely manner.
- Travel expenditure far exceeded the budget as the manner of deployment of staff on mission was not economical. For example two drivers sent with UNHCR transport from Yei to a camp in Uganda had to be paid DSA for the journey from Yei to the camp with a night halt. Such expenditure could be reduced if the transportation within Uganda could be locally arranged and the UNHCR transport in Yei was used for the transportation of the refugees within Sudanese territory.
- GTZ employed more staff above the agreed level (245 as against 88) without consulting UNHCR.
- The cost of refugee transportation by GTZ was more expensive than commercial transportation from Uganda to Yei. The main reasons for this high cost were that drivers were payrolled by GTZ full-time even when refugee movement was very low after the dry season, and GTZ employed more staff than the agreed number without the consent of UNHCR.

Recommendation 5

(5) The UNHCR Representation in South Sudan should ensure that GTZ does not engage staff beyond the agreed number, adheres to the travel budget, and fully complies with their procurement rules. The budget control system of GTZ in Yei should be improved. The number of GTZ drivers should be in line with the size of the programme and staff costs exceeding the agreed level should be borne by GTZ. The Representation should

explore possibility of alternate mode of transportation of refugees to reduce cost.

27. *The UNHCR Representation accepted recommendation 5 and stated that the GTZ budget for the second half of 2008 has been reduced by \$500,000 and their staffing will be reduced. GTZ hired additional assistant drivers on short-term basis only. The Representation also stated that: (a) GTZ has established a procurement committee to ensure that its procurement procedures are adhered to and project control unit of UNHCR continuously reviews the procurement records and practices to ensure adherence; and (b) Until a cost effective alternative mode of transportation is found, the Representation will have to rely on the UNHCR fleet operated by GTZ and it is more likely that the need for a large truck fleet will diminish during the course of 2009. Based on UNHCR's response, recommendation 5 has been closed.*

Action Africa Help- International (AAH-I)

28. OIOS' examination of the records of AAH-I relating to 06-07/SB/SUD/RP/331 in their office in Yei indicated that the SPMR could be linked to the underlying accounting records. Internal controls over purchasing were satisfactory and records were kept in a systematic manner.

C. Supply chain management

Procurement

29. A Senior Supply Officer joined the Juba office in September 2007 and controls in procurement activities were being strengthened. The Supply Unit prepared a plan in October 2007 for positioning of warehouses, non-food items, fuel and vehicle management for repatriation in 2007 and 2008 in consultation with the Programme and Protection Units in Juba and other field offices. This is a welcome step, however, the following internal control weaknesses needed to be addressed:

- Although a large number of items (126 item/service categories) were identified for procurement in South Sudan, Annual Procurement Plans were not prepared for 2007 and 2008.
- In local purchase cases, suppliers were given advance payments without any security.
- The Local Committee on Contracts (LCC) did not always clearly record the reasons for the selection of vendor(s), unit price and total potential cost involved. This was not in line with provisions in Chapter 8 and increased the possibility of errors when preparing the contracts and purchase orders.
- POs and contract files were not systematically maintained in the Supply Unit and selected cases were produced late. OIOS was pleased to see that at the time of the audit, a filing system for the current year's

purchase orders and contracts was under implementation.

Recommendation 6

(6) The UNHCR Representation in South Sudan should ensure that the Annual Procurement Plan for 2007 is finalized and sent to Headquarters. Advance payments should be made as far as possible, only to reliable suppliers against suitable security and recovery should be closely monitored. The Local Committee on Contracts should clearly record reasons for its decisions in the selection of vendors and indicate unit cost and total cost in each case.

30. *The UNHCR Representation accepted recommendation 6 and stated that a purchasing plan for 2008 has been established locally mainly for non-food items and shared with Supply Management Service (SMS) to establish an agreed procurement/sourcing strategy. SMS is no longer requesting the purchase plan from field locations. This information is retrieved from the MSRP. All data is on SMS' intranet site. Advance payments are no longer done since 2007, and the minutes of the LCC have been amended to reflect the recommendation. Based on the action taken by UNHCR, recommendation 6 has been closed.*

Asset management

31. While asset management had improved in the Juba office in some areas since our last audit in 2006, several other areas needed urgent attention. UNHCR entrusted the warehouse management to GTZ in Juba since September 2007 and inventory of non-food items were recorded and assets were verified. However, OIOS observed the following weaknesses in internal controls:

- A huge quantity of non-food items (blankets, sleeping mats, jerry cans, sanitary items, soap, delivery kits) was stocked in the warehouses in Juba and Yei. The stockpile was excessive for some items (e.g. sanitary items, blankets, sleeping mats) and could last for 8 to 11 years, according to OIOS estimates.
- At the end of October 2007, data relating to 757 assets with an acquisition value of \$2.56 million and a current value of \$1.57 million were uploaded into MSRP. The last physical verification of assets was done in the Juba office in February 2006. A physical verification of assets, particularly telecommunication and information technology (IT) items and others stored in office/guesthouses and assets with the IPs was long overdue.
- The MSRP asset list in the Juba office did not include over 1,400 telecommunication and IT assets located in various offices and with IPs, which were listed in a database with the Telecommunications Unit. The acquisition value of these assets was not included in the database. The asset management focal point in the Logistics Unit was not involved in maintaining this database or in the physical verification of these assets.

There was no clear plan to upload these items in MSRP.

- Some 58 assets (acquisition value \$223,174) including costly telecommunication equipment, permanent structures like prefabs, laptop computers and motorcycles were recorded as in transit. Most of these were acquired in 2005. These items needed to be traced and recorded accordingly.
- Control over the assets issued to IPs was weak. Right of use agreements were not systematically filed. Physical verification of these assets was overdue.
- Recovery for the loss of a laptop, recommended by the LAMB in August 2007 was yet to be made as of first week of November 2007.

32. Asset management in the Sub-Office at Yei also needed improvement. The audit showed that:

- At the end of October, data relating to 398 assets with acquisition value of \$6.87 million and current value of \$4.05 million (estimated to be 85 per cent of all assets) were uploaded into MSRP. The MSRP listing had some errors. Management informed OIOS that all relevant information was to be captured in the system before the end of 2007.
- A large number of surplus assets (mostly IT equipment) was lying at GTZ's warehouse pending decision by the Local Asset Management Board (LAMB).
- Telecommunication and IT equipment transferred from the former field offices of Yambio and Tambura was stored in a haphazard manner in a container in the office compound in Yei. Inactive or damaged assets need to be identified by the Telecommunications and IT Units and appropriate action taken to update the records.

Recommendation 7

(7) The UNHCR Representation in South Sudan should examine ways to deal with the stockpile of the non-food items; ensure that telecommunication and information technology assets in the Juba office are recorded in the Management System Renewal Project database; and that assets in other offices, guesthouses and those issued to partners are physically verified without delay. Assets in transit should be reviewed quickly to trace them and adjust the records. In Yei, all asset data should be physically verified and recorded in the Management System Renewal Project database as early as possible. Information technology and telecommunication assets transferred from field offices should be segregated, bar-coded and included in the asset lists.

33. *The UNHCR Representation accepted recommendation 7 and stated that all non-food item stocks have been rotated approximately twice per year. Telecommunication and IT assets are in the process of being moved to the central warehouse in Juba from Yei. The utilization of the MSRP warehouse module should be implemented during 2008. Physical verification of the office assets was carried out in March 2008. One asset expert from Khartoum will assist the Juba office in adjusting the "in transit" assets. In Yei, physical verification was carried out in December 2007 and telecommunication items were bar coded with the data captured in MSRP. The Sub-Office in Yei stored IT and telecommunication items separately in different shelves in earmarked containers. All assets received from the field offices in Yambio and Tambura have been redeployed to Nimule and the records have been changed to reflect their current locations. OIOS is pleased with the initial actions taken to implement this recommendation. Recommendation 7 remains open pending confirmation that telecommunication and IT assets have been moved to the central warehouse in Juba from Yei, and receipt of evidence that the Juba office has accounted for all "in transit" assets.*

Fuel management

34. Controls over fuel receipt, issuance and payment had improved in Juba since the last audit. A focal point in the Supply Unit oversaw fuel management, which had been entrusted to GTZ in Juba and Yei. The Juba office had developed standard operating procedures (SOPs) for fuel issuance. GTZ has introduced a computerized fuel management system in Yei. The following weaknesses still need to be addressed:

- Monthly reports on consumption of fuel for vehicle and generators were not prepared in Juba and thus an important control to identify possible excess consumption and condition of vehicles was not operative.
- In Yei, logbooks were not regularly reviewed by a designated officer. The risk of vehicle misuse and unnecessary expenditure on fuel is high. Large gaps of hundreds of kilometers (600 to 900 kilometers) were noted in the logbooks between the closing and opening kilometer balance in some cases. In some of these cases the purpose of journey or signature of the drivers was not available.

Recommendation 8

(8) The UNHCR Representation in South Sudan should ensure that fuel consumption reports for vehicles and generators in Juba are prepared and logbooks are regularly and systematically reviewed at all locations.

35. *The UNHCR Representation accepted recommendation 8 and stated that standard reporting on fuel from all the offices has been implemented with the exception of Bor and Kapoeta which will implement the system by end September. Use of logbooks is already fully implemented. Recommendation 8*

remains open until evidence is provided that Bor and Kapoeta have implemented the fuel control management system.

Air transport operations

36. A review of some aspects of UNHCR's use of aircraft from the World Food Programme (WFP) and the United Nations Humanitarian Air Services (UNHAS) indicated that the air operations were not managed efficiently and economically as discussed below:

- In May 2007, a liability of \$488,198 pertaining to air transport operations for 2006 came to light when the invoices were received from WFP. As it was not included in the list of year-end commitments, no funds were provided for this purpose.
- WFP delayed billing UNHCR for the use of the leased aircraft. This sometimes caused delay in processing invoices and payment. The matter needed to be streamlined in consultation with WFP. In order to estimate the pending payments, UNHCR should also keep records of flights booked and their cost.
- As WFP invoices were not paid in time, there was a risk of WFP refusing to provide services to UNHCR. A WFP invoice settled in April 2007 for \$193,433 included charges for an unpaid invoice dated December 2003. As of October 2007, WFP claimed that UNHCR was liable for \$479,056 of unpaid invoices. The delay was caused by the late receipt of invoices in some cases and the lack of adequate monitoring.
- WFP invoices for use of leased aircraft in 2007 were not verified against the contract conditions before payment, as the office did not have a copy of said contract for 2007. Management explained that the contract conditions were the same as in the previous year.
- To strengthen accountability and ensure prompt settlement of claims, written procedures are needed.
- The focal point for air operations in the Supply Unit had been away for several months. The Air Operations Assistant was acting as the focal point for coordination with UNHAS, on top of his regular workload (making bookings, preparing related documentation and personally attending the flights) giving him little time for other matters. The processing of invoices needs to be adequately monitored.

Recommendation 9

(9) The UNHCR Representation in South Sudan should improve the budget estimates for air transport services obtained from the World Food Programme and the United Nations Humanitarian Air Services. It should improve monitoring and review the division of

responsibility for prompt settlement of claims. Verification of the contract conditions should be ensured when settling the air transport services claims.

37. *The UNHCR Representation accepted recommendation 9 and stated that all necessary action has been taken to comply with the recommendation. Based on UNHCR's response, recommendation 9 has been closed.*

D. Safety and security

38. Most of the areas of South Sudan are in Phase III, level 2 category. The respective Field Security Advisers at Juba and Yei, assessed that these offices and all vehicles were MOSS compliant. The following points will merit attention.

39. Of the three posts of Assistant Field Security Adviser in South Sudan, one was vacant and had been re-advertised.

40. Safety precautions and locations of fire fighting equipment were not prominently displayed in the Juba office. Work on perimeter lighting for the Juba office building is underway and should be completed as a matter of priority.

41. In Juba, the guesthouses Swedish Camp and Blue House did not meet the security standards as UN vehicles were kept at night outside the locked compounds. The Senior Administrative and Finance Officer explained that the Blue House and Swedish Camp guesthouses would soon move to a new security-compliant location.

Recommendation 10

(10) The UNHCR Representation in South Sudan should ensure that the vacant post of the Assistant Field Security Adviser is filled as a matter of priority.

42. *The UNHCR Representation accepted recommendation 10 and stated that for Malakal, the previously appointed candidate declined the appointment and another candidate will be recommended. For Bor, the candidate was being reassessed before re-submitting a recommendation and for Kapeota, the OIC Kapoeta will reassess the candidate before resubmitting a recommendation to the Appointment, Promotion and Posting Committee (APPC). Action will be completed by end September 2008. Recommendation 10 remains open pending confirmation by UNHCR that the post of Assistant Field Security Adviser has been filled.*

E. Administration and Finance

General administration

43. Human resources (HR) functions in the Juba office were affected by the absence of a full-time HR Officer for several months. The present incumbent

joined in the middle of May 2007 but she was absent for several weeks on leave and training. Various HR functions needed improvement and close monitoring in these areas was necessary.

Management of vacancies

44. There was good progress in filling international staff vacancies except for the Head of Office in Kajo Keji and the Field Safety Advisor, which were still vacant at the beginning of November 2007.

45. There were 11 General Service posts vacant in November 2007. In most cases, the vacancies were filled since May 2006 with temporary assistants who were not appointed through the APPC.

46. At the time of the audit, the Nimule office had been managed by staff on mission from Yei until recently. Though some postings had been made, the Supply Assistant, the Site Planner and the Driver were still staff on mission. The operation in Nimule was thus expensive. Steps were needed to minimize the number of staff on mission. UNHCR informed OIOS that no budget was allocated for 2007 for the Nimule office. For quick deployment of staff to receive the returnees, a hybrid approach was followed sending staff from other offices and hiring local staff where possible, making the operation very costly.

Recommendation 11

(11) The UNHCR Representation in South Sudan should ensure that staffing requirements in Nimule are met by posting regular staff, as far as possible, to minimize the costs.

47. *The UNHCR Representation stated that for international staff, the proposed staffing table for Nimule was effective from 1 January 2008 and all posts have since been advertised and are expected to be filled by 30 September 2008. For national staff, the staffing table for Nimule was operational effective 1 January 2008 and the Yei Office is presently in the process of preparing recommendations for presentation to the APPC in Khartoum. Recommendation 11 remains open pending receipt of documentation from UNHCR showing that the posts in Nimule have been filled.*

Performance Appraisal Report (PAR)

48. As of the end October 2007, of the total 148 approved posts in South Sudan, only 25 staff had a finalized PAR for the 2006-07 cycle. For the 2007-08 cycle, less than 10 staff had set their objectives as per information provided by the HR Unit in the Juba office. The Yei Office informed OIOS that PARs for 2006 have now been fully completed.

SOLAR and hazard payments

49. Controls over the Special Operational Living Allowance Rate (SOLAR) and hazard pay payments had improved in the Juba office since the last OIOS audit. Payment was now centralized in Juba and requests for payments were scrutinized by the focal point taking into account the leave and attendance records. A common control sheet was devised in the Administration Unit for adjusting recoveries of private use of telephones, guesthouse charges and any other claims before releasing SOLAR/hazard payments.

50. In Sub-Office Yei, settlement of SOLAR and hazard payments was not processed in a timely manner. Payments to several international staff of up to 6 months were made together although the claims were submitted several months earlier. The corresponding payable amounts were not recorded on a monthly basis. For payments of hazard allowance to national staff, supporting documents (attendance records, leave records, mission authorization and calculation sheet) were not attached to each case. The Finance Officer in Yei explained that these documents were attached to the payment of only one staff to reduce workload. As a result, the claims of other staff did not have supporting documents. The Yei Office informed OIOS that the SOLAR/Hazard benefits were now paid on a regular basis and processed in the first week of the following month.

United Nations Volunteers (UNVs)

51. In 2007, UNHCR in South Sudan employed 1 national and 31 international UNVs. Fourteen were employed in Juba and the rest in other locations. The vacancies of UNVs were not systematically assessed but were decided on case-by-case basis. At the time of audit, the number of UNVs to be employed for the 2008 programme was under review. In South Sudan, UNVs represent 18 per cent of UNHCR's workforce. Management informed OIOS that it was difficult to find middle managers with international experience within the local market. This vacuum was filled by redeploying UNVs in emergency situations.

52. Internal controls over the deployment of UNVs (on mission basis) in Juba were weak. Two UNVs (one in the Protection Unit and the other in the Programme Unit) were on mission to Malakal and nearby areas for nearly five to six months. These UNVs could have been redeployed to Malakal to minimize expenditure on daily subsistence allowances (DSA).

53. The personnel files of UNVs in the Juba office were not maintained properly and some records were not kept on file. In most cases, the Terms of Reference and performance appraisal records were not available and only job descriptions were kept in some cases.

Recommendation 12

(12) The UNHCR Representation in South Sudan should review the number of United Nations Volunteers (UNVs) and review their travel needs to control

expenditures. The personnel files of UNVs should be updated with the Terms of Reference and other required records.

54. *The UNHCR Representation accepted recommendation 12 and stated that several UNVs have been redeployed to their duty stations rather than being on mission status thereby reducing the costs of DSA and that steps have been taken to ensure that Terms of References for UNVs are in the staff member's personal files. Based on UNHCR's response, recommendation 12 has been closed.*

Communication costs

55. Of the communication facilities (Thuraya, Mobitel, PAMA, Sudatel and VHF radio sets) available in Juba, Thuraya phones were the most expensive. The office authorized the use of Thuraya phones to 61 international and some national staff in South Sudan including 22 in Juba. The average monthly expenditure on Thuraya phones was \$16,300 in Juba. In OIOS' view, the VSAT phones (PAMA) meet the communication needs of staff during office hours and, therefore, the issuance of Thuraya phones to staff could be reduced.

56. Bills of individual staff members for use of these phones are examined in the Juba office by the focal point who distributes the detailed logs for each phone to the staff for identification of personal calls. This has improved controls over recovery of charges for private use of official phones.

Recommendation 13

(13) The UNHCR Representation in South Sudan should review the issue of Thuraya telephone connections to staff members to control communication costs, without disregarding the security situation.

57. *The UNHCR Representation accepted recommendation 13 and stated that in November 2007, UNHCR Juba recalled all Thuraya units (except in cases where no other means of communication was available). The office continues to closely monitor private telephone bills. Staff SOLAR entitlement is not paid without telephone bills certified by the staff member being attached and deducted. Based on the action taken by UNHCR, recommendation 13 has been closed.*

Outstanding receivables

58. A review of outstanding receivable and payable accounts in the Juba office indicated that there was a significant balance of payable accounts, some pending since January 2006. These items should be reviewed for adjustment as soon as possible.

59. Monitoring the operational advances was weak in the Yei office. Advances for significant amounts were left outstanding for many months

including advances made to the heads of offices of Yambio and Tambura, which were closed in 2007. Several cases of salary advances were also still outstanding.

Recommendation 14

(14) The UNHCR Representation in South Sudan should review the balances under the receivable accounts and ensure that all outstanding accounts are settled. The Sub-Office in Yei should quickly settle the operational advances for the closed offices.

60. *The UNHCR Representation accepted recommendation 14 and stated that since January 2008, the Yei Sub-Office entered in MSRP the unrecorded expenditures incurred by the offices in Yambio, Tambura, Yei, Kajo Keji and Nimule and could clear outstanding operational advances of over \$182,000. The remaining outstanding balance in the suspense accounts will be reconciled as soon as search for documentation is completed. Since January 2008, the Yei Sub-Office introduced a number of measures such as accounting procedures, proper system of financial record keeping, control and monitoring of advances, internal control mechanisms, etc. Operational advances are now systematically settled and large operational advances are only replenished after settlement of outstanding advances. Recommendation 14 remains open pending receipt of documentation from UNHCR showing that all outstanding accounts have been settled.*

Payment control

61. Invoices submitted by suppliers were not cancelled or stamped "Paid" after payment. In some cases, the copy of the relevant contract was not attached to the payment request. This weakens payment control as rates and conditions of payments are not verified before authorizing the payment.

Recommendation 15

(15) The UNHCR Representation in South Sudan should cancel invoices after payment. To improve controls, copies of contracts should be attached to payment requests for verification of conditions before authorizing payments.

62. *The UNHCR Representation accepted recommendation 15 and stated that all invoices are now de-faced/stamped "paid" and copies of contracts attached to payment requests. Based on UNHCR's response, recommendation 15 has been closed.*

V. ACKNOWLEDGEMENT

63. We wish to express our appreciation to the Management and staff of UNHCR for the assistance and cooperation extended to the auditors during this assignment.

STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
1	The UNHCR Representation in South Sudan should scale down operations in Yei to reduce programme costs. In Jonglei and Upper Nile States, efforts to locate suitable implementing partners should be intensified to minimize direct implementation in community services sectors.	Operational	Medium	O	Documentation showing the scaling down of operations and reduction in programme costs.	December 2008
2	The UNHCR Representation in South Sudan should ensure that, as far as practicable, project submissions and budgets from the implementing partners are examined jointly by Programme, Protection Community Services and Supply Chain Units.	Operational	Medium	C	Action completed.	Implemented
3	The UNHCR Representation in South Sudan should ensure that periodic and final Sub-Project Monitoring Reports are reviewed in a timely manner and inventory of assets and staff lists are obtained from the implementing partners.	Financial	High	C	Action completed.	Implemented
4	The UNHCR Representation in South Sudan should provide its comments on draft audit reports to the external auditors as soon as possible so that the audit reports are finalized and the recommendations are implemented.	Financial	High	O	Documentation concerning the audit certificates for IR- UK, SSRRC and IRC, together with information on the major audit recommendations which were implemented.	December 2008

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
5	<p>The UNHCR Representation in South Sudan should ensure that GTZ does not engage staff beyond the agreed number, adheres to the travel budget, and fully complies with their procurement rules. The budget control system of GTZ in Yei should be improved. The number of GTZ drivers should be in line with the size of the programme and staff costs exceeding the agreed level should be borne by GTZ. The Representation should explore possibility of alternate mode of transportation of refugees to reduce cost.</p>	Financial	High	C	Action completed.	Implemented
6	<p>The UNHCR Representation in South Sudan should ensure that the Annual Procurement Plan for 2007 is finalized and sent to Headquarters. Advance payments should be made as far as possible, only to reliable suppliers against suitable security and recovery should be closely monitored. The Local Committee on Contracts should clearly record reasons for its decisions in the selection of vendors and indicate unit cost and total cost in each case.</p>	Financial	Medium	C	Action completed.	Implemented

Recom. no.	Recommendation	Risk category	Risk rating	C/O	Actions needed to close recommendation	Implementation date ²
7	<p>The UNHCR Representation in South Sudan should examine ways to deal with the stockpile of non-food items; ensure that telecommunication and information technology assets in the Juba office are recorded in the Management System Renewal Project database; and that assets in other offices, guesthouses and those issued to partners are physically verified without delay. Assets in transit should be reviewed quickly to trace them and adjust the records. In Yei, all asset data should be physically verified and recorded in the Management System Renewal Project database as early as possible. Information technology and telecommunication assets transferred from field offices should be segregated, bar-coded and included in the asset lists.</p>	Financial	High	O	Evidence should be provided on verification of assets issued to IPs, and final action on “in-transit” assets.	December 2008
8	<p>The UNHCR Representation in South Sudan should ensure that fuel consumption reports for vehicles and generators in Juba are prepared and logbooks are regularly and systematically reviewed at all locations.</p>	Financial	Medium	O	Evidence should be provided that Bor and Kapoeta have implemented the fuel control management system.	December 2008
9	<p>The UNHCR Representation in South Sudan should improve the budget estimates for air transport services obtained from the World Food Programme and the United Nations Humanitarian Air Services. It should improve monitoring and review the division of responsibility for prompt settlement of claims. Verification of the contract conditions should be ensured when settling the air transport services claims.</p>	Financial	Medium	C	Action completed.	Implemented

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
10	The UNHCR Representation in South Sudan should ensure that the vacant post of the Assistant Field Security Adviser is filled as a matter of priority.	Compliance	Medium	O	Evidence should be provided showing that the post of Assistant Field Security Adviser has been filled.	September 2008
11	The UNHCR Representation in South Sudan should ensure that staffing requirements in Nimule are met by posting regular staff, as far as possible, to minimize the costs.	Human Resources	Medium	O	Evidence should be provided showing that the posts in SO Yei have been filled.	End of 2008
12	The UNHCR Representation in South Sudan should review the number of United Nations Volunteers (UNVs) and review their travel needs to control expenditures. The personnel files of UNVs should be updated with the Terms of Reference and other required records.	Human Resources	Medium	C	Action completed.	Implemented
13	The UNHCR Representation in South Sudan should review the issue of Thuraya telephone connections to staff members to control communication costs, without disregarding the security situation.	Financial	Medium	C	Action completed.	Implemented
14	The UNHCR Representation in South Sudan should review the balances under the receivable accounts and ensure that all outstanding accounts are settled. The Sub-Office in Yei should quickly settle the operational advances for the closed offices.	Financial	High	O	Evidence should be provided showing that all outstanding accounts have been settled.	January- April 2008
15	The UNHCR Representation in South Sudan should cancel invoices after payment. To improve controls, copies of contracts should be attached to payment requests for verification of conditions before authorizing payments.	Financial	Low	C	Action completed.	Implemented

1. C = closed, O = open

2. Date provided by UNHCR in response to recommendations.